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THE EMPIRE CLUB OF CANADA

1994–1995

91st Year

*HER MAJESTY QUEEN ELIZABETH II
AND PRINCE PHILIP*

THE EMPIRE CLUB OF CANADA

Founded 1903

Addresses 1994–1995

GOD SAVE THE QUEEN

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The Empire Club of Canada

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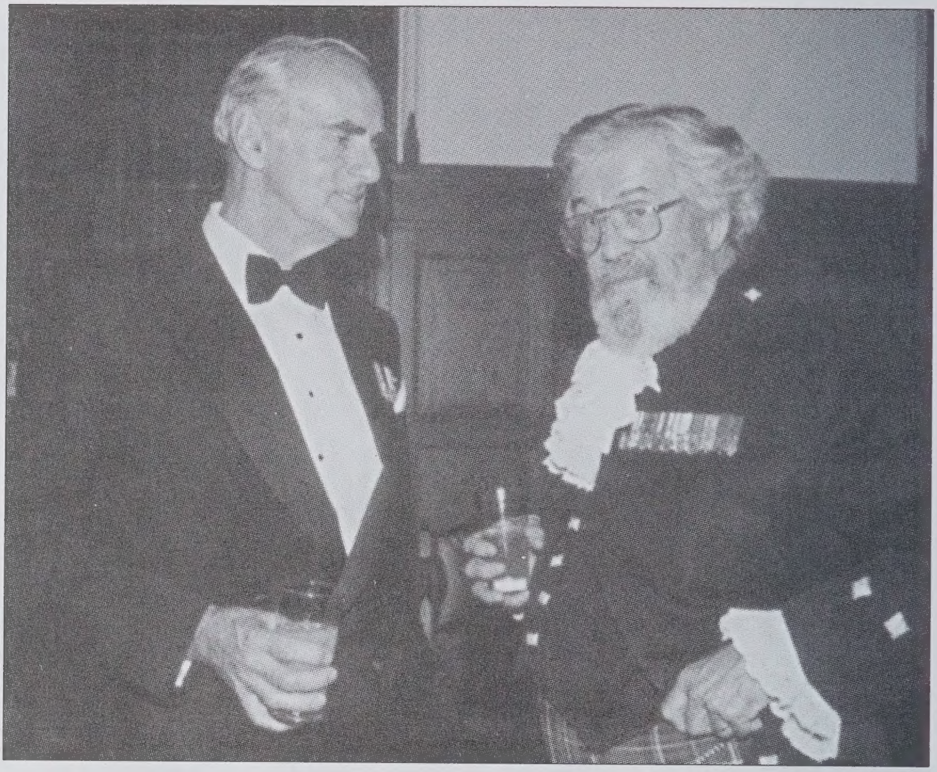
Past Presidents Dinner, 1994



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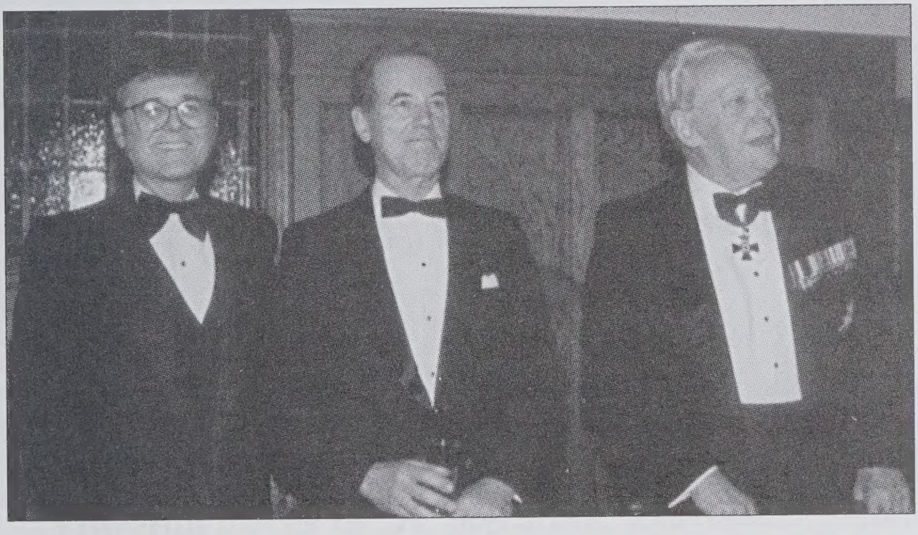

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JOHN A. CAMPION
President, 1994–1995

The Empire Club of Canada
PRESIDENT'S FOREWORD

For over 90 years, The Empire Club of Canada has earned its reputation as North America's only speaking platform of record. Its record has been contained in an uninterrupted publication of the addresses made to the Club in books similar to this volume and has been recently supplemented by the electronic publication over local radio and local, national and international television. As President, I inherited a rich legacy; I received selfless help, guidance and in some cases, devotion of the officers, directors, past presidents and members of the Club, of our administrator, Anne Lato and my assistant, Mira Gustin. But most of all, the Club and its contribution to contemporary ideas are not possible without the speakers who devoted their wit and wisdom and the audience which the Club serves.

The past always dwells among us. Just as the present is, the past was peopled by rogues and angels, those of the spirit and those of the material world, great martyrs and miserable oppressors, creators and destroyers, visionaries and individuals advocating the status quo. Crisis and success in economics and trade, faithfulness and folly in the formation and execution of government policy, greed and selfless love, revolutionaries and stabilizers have wreaked their havoc and woven their magic throughout time. Their successors continue plotting and dreaming as the past becomes the present for a fleeting moment and is at once our future.

Powerful forces of art, literature, journalism, public relations, religion, medicine, science, law, nationalism and internationalism deeply affect our daily lives. In the first intellectual dawning of each twentieth-century man and woman, it is impossible not to feel the impact of these forces. Since they were present from our beginnings, the forces must have been created from some deep, rich and mysterious past that one, at first, can barely see dimly through a glass.

It was the meeting and hearing of the present day advocates who spoke to the Club and their exploration of the powerful forces that affect our society today that provided so much pleasure to me.

In a remarkable year, as President of The Empire Club of Canada, I had the honour and privilege to introduce heads of state, bishops, chief justices, politicians, ministers, opposition leaders, scientists, artists, business people, journalists, educators, ambassadors, emissaries and freedom fighters to a live audience totalling over 15,000 people and a television and radio audience in the millions.

The historical sketches used to introduce or thank the speakers try to shed some light on the past as it reflects and refracts through the looking glass of time to our days. The sketches sought to place the speakers and their contributions in a context with rogues and angels of the past and the forces affecting us all. It was a challenge to try to bring the past alive in the men and women who selflessly came to enrich our speakers' platform.

I have been honoured to serve as the President of The Empire Club of Canada. It is hoped that the readers of this volume derive as much insight and pleasure from the thoughts contained in the speeches published here as I did.

John A. Campion, President 1994–95

PART I—MATTERS OF THE SPIRIT

An emissary, a child psychiatrist, a female bishop, an artist and a promoter/autobiographer stimulated the sketches loosely organised under matters of the spirit.

The central theme of a journey forms the basis of the sketch about Terry Waite the emissary to the Middle East from the Archbishop of Canterbury. As with all journeys, one can choose the beginning and can predict with certainty that there will be an end. But the travel in between is a voyage of choice and chance. The journey for all of us is more than a trip to a distant land, the bottom of the sea or outer space. It represents an inner struggle to overcome fear of the unknown, to search for the courage to face other worldly forces and to triumph over serendipitous events. Prince Henry, the Navigator was a practical pioneer of the journey—austere, intelligent, courageous. He, like Terry Waite, had to overcome the limitations of his inner self to conquer the inhibitions created by the scientific dogma of the ages—the occult, a flat earth and monsters of the deep. Terry Waite faced the ultimate loneliness of five years in solitary confinement. His voyage in aid of peace became a journey to the inner core of a man.

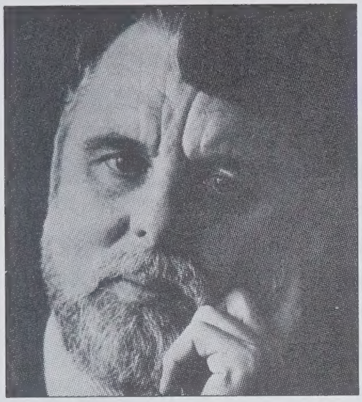
In an age of materialism and great changes in all of our institutions, we collectively and individually place our mental well-being at risk. A child psychiatrist came to remind us of the terrible consequences of mental instability on our children. Our individual and collective fears, neuroses and psychoses have created within modern man a deep and abiding concern about our inner beings. Gulliver's chance meeting with the super rational but wholly fearful Laputans is a perfect metaphor for the state of our modern consciousness.

Bishops are at the top of the hierarchy of institutional religion but their influence over contemporary society is relatively small. God, religion and the soul are not topics for contemporary society chatter. Somehow, though, they remain central to many individuals, to our understanding of culture and to an unrequited desire for ultimate meaning in our lives. St. Teresa of Avila is a perfect foil for the first woman bishop in Canada and an example against which to assess institutional religion, feminism and mysticism in our age.

The role of the artist in our culture rivals that of Christ, Mohammed and Ghandi in that they claim to speak from a tortured universal soul to a breathless world. It was not always so. Beethoven first laid claim to the ascendency of the artist as the prophet and interpreter between God and man. The development of his claim into a force in our modern society is one of importance to be reviewed with a healthy cynicism.

Finally, in North America, we live with ourselves at the centre. It is as if life's journey was experienced from an hermatically sealed capsule of the ego. Autobiography is a literary expression of the central role of the self. In the hands of an artist, autobiography illuminates life for the rest of us who must settle for more pedestrian experiences.

Each one of these topics affects or reflects upon our spiritual well-being individually or collectively in our modern times.



April 24, 1995

Terry Waite

Emissary of The Church of England

A JOURNEY INTO MYSELF

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Alex Squires, Oil and Gas Consultant, Loewen, Ondaatje McCutcheon Limited and a Director, The Empire Club of Canada; Peter Hermdorf, Chairman and CEO, TV Ontario; Elizabeth Loweth, Executive Director, Canadian Centre for Ethics and Corporate Policy; Ted Roberts, Insurance Advisor, Imperial Oil; Tony van Straubenzee, President, van Straubenzee Consulting and a Past President, The Empire Club of Canada; Helen Roman Barber, Chairman and CEO, Roman Corporation Limited; Richard Northern, Deputy Consul General for Britain; Bishop Terence Finlay, Anglican Diocese of Toronto; Tom Little, Lawyer, Fasken Campbell Godfrey and a member, The Empire Club of Canada; Rich Bailey, President, YMCA; Maureen Farrow, Executive Vice-President and Director of Research, Loewen, Ondaatje McCutcheon Limited; Captain Walter Marshall, National Director of Church Army for Canada; and Bishop Victoria Matthews, Area Bishop for the Credit Valley Anglican Diocese of Toronto.

Introduction by John Campion

Prince Henry's Hair Shirt

It was a stormy day on the rocky cliffs overlooking the Atlantic. A man lay dead. He was wearing a hair shirt, turned inward. He'd lived like a monk and was reputed to be a virgin upon death. All his life he'd been torn between crusading and exploring.

His exploration was not just a physical adventure and a risk for the life of the body but it was a courageous trip through the wilderness of the mind.

Prince Henry of Portugal was born in 1394, the third son of King John the First. He settled at Sagres and became known as The Navigator. He applied the zeal and energy of a crusader to the modern exploring enterprise. His court was a primitive research and development laboratory. Sagres became known as a centre for cartography, navigation and ship-building. Sailors, travellers and savants, being Arabs, Italians, Germans, Scandinavians and tribesmen of the west coast of Africa, all contributed new fragments of fact, new notions of science, or some new interpretation.

From Marco Polo's map to Prince Henry's ship design of the Caravelle to the mariner's compass, each fragment and instrument was reviewed, studied and improved upon.

One of the real contributions of Prince Henry was conquering the wilderness inside men's minds. The use of the compass was haunted by superstitious fears of its occult power. The voyages beyond landfall required a dazzling display of mental courage by all of those medieval minds in the face of dogma of the ages about a flat earth and monsters in the sea.

While Henry did not live to see the full results of his work, the voyages of discovery that he made possible would never end.

Terry Waite is in the tradition of Prince Henry. Terry Waite has been on a continuous journey. He was born in 1939 in Cheshire, England. He served with the elite English army corp called the Grenadier Guards. He entered the Church of England Army in 1958 and studied theology. In 1964, he moved to Uganda in Africa to advise the Archbishop. It was here that he first saw the coup of Idi Amin and barely escaped with his life.

In 1972, he moved to Rome where he advised the Roman Catholic church on health and education and in so doing, travelled to Africa, Asia, the Caribbean and North and South America.

In March of 1980, he joined the Archbishop of Canterbury as an advisor and as a result, journeyed through the entire world Anglican community. It was during these years that Terry Waite met his fateful destiny with the hostages in Tehran, Libya and Beirut. As you know, Terry Waite was captured in 1987 and remained in confinement, most of it in solitary confinement, for five years.

Terry Waite is in the tradition of all those who journey. It is at once a physical voyage and at the same time a central struggle of the mind. These dual aspects of the journey stand as a central heroic theme in our culture for all heroes from Ulysses in the Odyssey to Christ in the Bible, to Buddha; to Lancelot and Galahad seeking the Holy Grail, to John Glenn in space. Each journey is one of the body and one of the mind.

Terry Waite has had his extraordinary journeys of both body and mind. In body he has travelled the world in aid of a series of high callings. In mind, his ultimate test, he endured in solitary confinement for five full years. His courageous struggle of the mind stands out as an heroic adventure of historical significance.

Terry Waite was elected a Fellow Commoner of Trinity Hall, Cambridge in 1992. He was made a Commander of the British Empire in 1992. He holds honorary degrees from the Universities of London, Kent, Liverpool, Durham, Sussex and Yale. He is involved in numerous charities and has received an extraordinary list of awards. Please welcome Terry Waite.

Terry Waite

Mr. President, thank you, sir, for your welcome introduction. I am pleased to say that I have left my hair shirt back in Beirut, so I do not wear it here today.

I am amazed at your introduction when you introduce the theme of a journey because (and I say this quite sincerely) without prior consultation you have, in fact, described for me what I want to talk about today. I want to discuss very briefly, because there isn't time to go into extensive detail, two things: first of all, the journey that caused me to be involved with hostages and with that particular form of terrorism and secondly, captivity, from my own experience of being in solitary confinement and having to take a very different form of journey, a journey, one might say, into one's self, a different form of journey into the interior. Both journeys, of course, were, in fact, life-threatening. Both journeys dealt very much with the question of survival. In the first journey, perhaps physical survival was to the fore. On the second journey, indeed spiritual survival, inner survival, was to the fore. Those are the two areas I shall try to discuss briefly today.

But let me begin with a more light-hearted story. People have often said to me, "What was it that you missed most during those years of solitary confinement, those four years of being virtually alone and one year in the company of other people?" They say, "Was it food? Was it drink?" Well, as you can see from my frame and my stature, I require a reasonable amount to eat and I've no objection to a drink now and again. In the days before captivity, I used to say to myself, "If I am denied these things, if I am denied food and drink, will I really miss them?" And the answer, of course, I gave myself was, "No, you wouldn't." But I never really knew. When I got into captivity and had very little to eat, with only two cups of tea a day and a cup of coffee probably every six months or so, I discovered that I didn't miss food and drink very much. Not at all. I could manage on a very meagre diet.

But I found it very hard indeed to live without books. I found it very difficult indeed to sit chained to the wall in a room with no natural light, no companionship, no news of the outside world, alone with my thoughts and nothing to read. I pleaded with the guards to bring me books, and, of course most of them, if not all were not book lovers. They hadn't been great readers in their lives, so they had difficulty empathising with someone who had been brought up in a literary culture. And, secondly, of course, it would be very difficult for them to go out and purchase English books. Had they been seen doing that in a second-hand book shop, they would have drawn immediate attention to themselves. And, thirdly, in the majority of cases, they could not read English and therefore they had no idea, if they ever came across a book, what it was. With those three handicaps, it meant that I didn't get books for over a year and a half.

Eventually, something happened. One day, there was a knock on the door, and that was the signal for me to put on a blindfold, for I was never allowed to see my captors. I always had to be blindfolded whenever they came into the room. So I put my blindfold on and I heard the guard cross the room and he said, “I have a book for you.” I thought, “Oh, at last! Thank goodness.” He put it on the floor and when he left the room and locked the door, I removed my blindfold, picked up the book, looked at it and laughed out loud. He had brought me *Great Escapes*, by Eric Williams. The story was of great escapes from prison camps in World War II. I’m afraid that it wasn’t a great deal of help to me. It didn’t, indeed, indicate how one might escape from a chained position in a hidden hideout in the middle of war-torn Beirut.

The story goes that Terry Anderson, the AP journalist, former bureau in-chief, in war-torn Beirut also asked for books and he specifically asked for large books. He wanted something, like all of us do, to get his teeth into. One day, a book landed on the floor. When he picked it up, he had been given *Diseases of the Middle Ear*. He claims to have read it from cover to cover. I know not how.

But to come to the heart of what I want to say, it is tragically appropriate that one should be standing here today and talking about terrorism and particular acts of terrorism. I was in the United States last week delivering a series of university lectures on the question of terrorism and conflict. I was there at the time of that disaster in Oklahoma, and, of course, my heart went out immediately to the victims of that particular disaster. I was pursued by the press and refused to give any speculation as to who had caused it. I’ve seen enough in my life not to jump to hasty conclusions. And when I was asked the question, “What link do you make between this particular situation and Beirut?”, I said that the link I make is this: those who suffer are the innocent men, women and children. And in saying that, you put the whole problem into a nutshell with terrorism, because terrorism radically affects the innocent, and the terrorists who perform these acts of violence and outrage, in fact, at heart are cowards.

Unfortunately, we do not realise what a dreadful impact terrorism has on individuals, on innocent individuals, until virtually it happens in our own back garden. Then we sit up, and then we take note. Some of the people in Northern Ireland have been saying, "Please, please, please help us stem the flow of arms and money that is supporting terrorism in Ireland." And how often have people in Northern Ireland seen their homes destroyed, their buildings destroyed, their communities threatened, and attempts made to destroy their very spirit? But, in fact, terrorism has not destroyed the spirit of the people in Ireland, and, in part, violence has been defeated in Ireland, because the vast majority of ordinary people came out onto the streets and said, "Violence is no way, no way at all, to resolve political problems." And they renounced it, and those who were, in fact, using violence to seek a political end, recognised that their strategy had to change, and that if they continued it, they, in fact, were being increasingly alienated.

Yes, we have something that can be done in the face of terrorism and I'll come to it in a moment. And yet, terrorism in all its manifestations, is but a symptom of a much deeper problem. It is symptomatic of a society and a world that is in grave disorder. We are seeing that in the United Kingdom—and I have no doubt we are seeing it in other parts of the world—our familiar, traditional institutions, are under attack from all quarters. Questioned are the monarchy and the government, familiar institutions that have been with my generation for a whole lifetime, institutions that carry history and provide some stability for society. Of course, they are not without their faults, but there is a large difference between criticising an institution and actually seeking to destroy it. Institutions, of course, have to evolve and develop. Do they, in fact, have to be knocked and smashed into the ground? And where we are getting this major change in society, we are, of course, getting the development of little groups who will pursue their ends outside the normal boundaries of the society which has held us together.

I remember very clearly going to Iran during the time of the Iranian Revolution to seek the release of British and Iranian church people who were held as hostages. My strategy of working in that particular case, and in many other cases involving direct contact with hostage takers, has been to try to establish a relationship, to try to develop some form of understanding—in other words, to try to open up communication channels and to find, if possible, a face-saving way whereby all parties can walk away from the situation with their dignity intact, and without compromising my moral position and my moral stand.

I remember being invited to the house of one of the revolutionary guards at a critical point in our discussion and in our negotiation. At the end of the meal, he produced the family album. He was one of several brothers and he pointed to the pictures in this album. This one, he said, was murdered by the previous regime, this one had his education finished, and so on and so forth. He went through the book and he recited the sad story of tragedy that had affected his family across the years. He said to me—and I can still see him saying it—"You and your country supported that. You provided arms. You didn't do anything to help us in our struggle for better conditions. You did nothing for the poor. You don't care." Of course, I responded as any normal human being would respond, saying, "Do you really believe that by perpetrating injustice towards innocent people you are, in fact, going to achieve a situation of justice? Do you believe that?" Of course, he came back with a well-worn, time-worn, argument that the people whom they had captured were not innocent but spies. That was, of course, entirely without any substance whatsoever.

The only way in which, of course, anyone can do that sort of thing, is to treat the captives as symbols, symbols of the West, symbols of the rich West, symbols of the affluent West, symbols of the powerful West, against whom the poor seem powerless. Then the terrorist groups spring up and say, "The only weapon we have is terror, and we'll use it." And they use it to devastating effect on the lives of innocent people, who pay the price. They're the ones who pay the price. It could be you tomorrow. It could be any of us. The danger, of course, in terrorist movements, is that if you set out to achieve a political end by using violence, you will attract also into your ranks people of a psychopathic disposition. Perhaps you may be able to reason with the leaders of the group. In fact, it is possible to reason with the leader of the group, who have decided to use violence as a means of achieving a political end in a number of instances. We see in the Middle East, as we mercifully see in Ireland, a number of instances in which the leaders are beginning to renounce violence and say, "We have to find some other ways of resolving political conflict." And sometimes this political conflict is legitimate. The danger, of course, is obvious. The leaders frequently have lost control of the psychopaths in their ranks, who continue to kill and murder and cause mayhem and trauma to the innocent. That is a fact we have to take into account. It provides not only the victim with great problems and troubles, it provides the leaders of the organisations with great troubles. It says something about violence and the use of violence. Also, these expressions of small groups growing up in society as institutions change and crumble say something as to what we can do and what we ought to do in the face of this problem. In a sense, perhaps it is not too extreme to say that terrorism is, in part, a manifestation of a society that is sick.

One of the functions of the churches, and of the whole variety of voluntary groups, is to be able to build community in society, a community that crosses cultural boundaries, religious boundaries, and all the boundaries which divide man from man. That is the problem, of course, here in Canada with ethnic and cultural boundaries. How marvellous it is when communities can get together and you can see that, in fact, they will turn their conflict to that which is mutually enriching. What a marvellous combination there is to be found in Canada between, on the one hand, the whole tradition which comes from so many different parts of the world, and, I might say from my own country, and from the French tradition as well. What a marvellous mix that is. Any visitor to this country who goes to a town where there is both an English and a French tradition can say, "This is a lovely mixture." This is something to be proud of, not something to divide us. It is a marvellous mixture, and yet why does it divide? It divides basically because in this changing age, in this time of great change, people become afraid, and when they're afraid, they retreat into the ghetto, and when they retreat into the ghetto and close the windows and the shutters, and shut out the lights, then the fantasies begin. When contact is denied, then you have to face the demons within. Then the fantasies start and it isn't long before the fantasies begin to be acted out and we know the results of that.

In my own captivity, the lights were shut out. I was captured and taken as a hostage. I was frightened, and I said to myself, as that door closed behind me in an underground prison, and as I realised that my status had changed from being a negotiator to being a hostage, three things which years later seemed very pompous. But they were said almost defiantly because I was afraid, alone, vulnerable, and at the mercy of people whom I knew may not even hesitate about sparing my life. I said, "I do not regret." I have occasion to regret actions in my life, as any human being would have. I do not regret, in this instance, doing my level best for hostages. I will not allow myself to have self pity, because self pity will kill me, and I will not be over-sentimental. I will not say to myself, "Oh, if only things had been different, if only I had been a better husband, a better father, perhaps been less impulsive." The future was uncertain. One has to live with whom one is and get on with it. And those three seemingly pompous and perhaps simple resolutions were part of what enabled me to live through those days of darkness. It was a journey into myself. When you are alone, you have 24 hours a day to think. There was no light, no furniture, no books, no companionship, nothing, a unique opportunity. I said to myself, "Here is a unique opportunity to make a journey and to take time for that which I have been putting off for a long time: to go more into myself, to try to understand more of the complexity that I know to be me, the complexity of light and dark that exists within me, to understand more of that, to try to come to terms with it."

"Was faith a hope?" you might say. "What about your Christian faith?" It was a hope, but I don't believe it was a comfort, and there is a difference. Far too many people these days, I think, look to the Christian faith for something that they will never find. True faith should be based upon a growth towards truth, and truth when you face it will always restore you. And a first truth that, it seems to me, one must learn is the truth about oneself. And the truth about oneself is that the evil and disorder we project away from ourselves in fact resides within. The first step, I am sure, is to begin to deal with that. And it is hard. Faith enables us to be very realistic about our own human nature and about human nature in general. It enables us to maintain hope. And what happens in a situation of crisis, if it is an extreme situation of crisis, such as being in the type of captivity that I am talking about, sudden death, illness, separation, unemployment, whatever it may be, faith can enable us to maintain hope.

In the face of my captors I could and did, indeed, say this: "You have the power to break and destroy my body, you have the power to bend my mind, but my soul is not yours to possess." A small thing, a small point, and a true one. And through those dark days, and through that journey, one was enabled to maintain hope.

I want to conclude by reading to you a brief passage with which I conclude a book I have just written which will be published in England later this year. I think it sums up something that I have been saying about this inner journey. It is one message that I would leave with you. From my own experience, if we would deal effectively with some of the enormous problems that face us in the world, we must be prepared to deal with ourselves first. I said that one day I would write a book which would contain the truth to which I bore witness. What I would say was perfectly clear to me. It was this. Everyone is occupied in blindly pursuing his own ends, and yet beneath his aims and beneath his attempts to escape from solitude by conforming with the herd-like behaviour of those around him, he wants something quite different from his aims and quite different from the standards of human institutions. This thing which he wants is what all want: simply to admit that his is an isolated existence and that his class and nation, even the personality and character which he presents to his fellow human beings, are a mask. Beneath that mask there is only the desire to love and be loved, just because he is ignorant, miserable and surrounded by the unknowns of time, space and other people.

I concluded an address I gave in this city the other night by saying that as a result of these journeys, my own convictions have been strengthened. I can sum them up in three simple phrases. To enable the weak to be strong, to enable the strong to be just, but above all, I say, to enable the just to be compassionate, for if compassion dies, we are all dead. Thank you.

The appreciation of the meeting was expressed by Tony van Straubenzee, President, van Straubenzee Consulting and a Past President, The Empire Club of Canada.

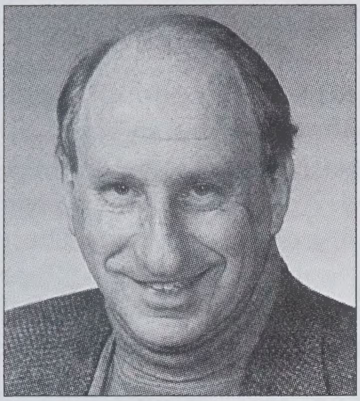
Mr. Terry Waite with Mrs. Jocelyn Badovinac, U.E., M.Ed., and student table from Adult Day School, City of York, sponsored by The Canadian Imperial Bank of Commerce.

Dick Meech, Q.C., Margaret Scrivener, member of the firm Martin & Meredith Limited Real Estate and Honorary Director, The Empire Club of Canada, and Terry Waite.

Joanna Campion, John A. Campion, President, The Empire Club of Canada, and Partner, Fasken Campbell Godfrey and Terry Waite, Emissary of The Church of England.

Terry Waite, Emissary of The Church of England and Louise Beck.

John A. Campion, President, The Empire Club of Canada, Terry Waite, Bishop Terence Finlay, Anglican Diocese of Toronto and Bishop Victoria Matthews, Area Bishop for the Credit Valley Anglican Diocese of Toronto.



February 2, 1995

Dr. Paul Steinhauer

Professor of Psychiatry, University of Toronto

EFFECTS OF FAMILY STRESS ON CHILDREN

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Angus Scott, Honorary Director, The Empire Club of Canada; Joanne Hum, grade 13 student, Eastern High School of Commerce; John Krauser, Associate Director, Ontario Medical Association; The Rev. Kent Doe, Rector, St. Bartholomew's Church; Rich Bailey, President and CEO, YMCA of Greater Toronto; Eric Jackman, Ph.D., Psychologist, Honorary President, Ontario Psychological Foundation and Immediate Past President, The Empire Club of Canada; Denise Cole, Public Policy and Political Consultant, McFoy Cole & Associates and a Director, The Empire Club of Canada; Bryan Hayday, Executive Director, The Ontario Prevention Clearinghouse; Michael Valpy, Columnist, The Globe and Mail; and Peter Stephenson, Ph.D., C.Psych., Chairman, Ontario Psychological Foundation and Managing Director, Toronto RHR International.

Introduction by John Campion
Gulliver's Comet

Lemuel Gulliver was marooned by pirates on a small Pacific island. He lamented his apparently inevitable fate. But, as he sank into helpless despair, the floating Island of Laputa appeared and he rode up on a chain to safety.

The Laputans, Gulliver soon discovered, were an odd lot. They had an ethereal state of mind but their thoughts were so taken up with intense speculation that they could neither speak nor hear the words of others, unless explicitly aroused. Apparently, only music and mathematics excited their unworldly concentration. Their mathematical obsession extended to all spheres of life. Gulliver obtained for his first meal a shoulder of mutton, cut into equilateral triangles and a piece of beef cut into rhomboids and a dessert cut into a cycloid.

But mathematics had its negative effects. Instead of a blissful reverie about the perfection of a circle or the infinitude of a pi, the Laputans were frightened. Their calculations taught them that the earth very narrowly escaped a brush from the tale of the last comet, and the next which they had calculated for one and thirty years hence would probably destroy them. The Laputans lived in fear. When they met acquaintances in the morning, the first question was what hopes they had to avoid the stroke of the approaching comet.

We inhabitants of the latter half of the last decade of this millennium, have many tails of comets about which we have an uncontrollable fear. In our world, the creation and detonation of God's fire in the form of an atomic bomb, left all of us in a state of silent and helpless psychic fear. Who of our generation has read the book *On the Beach* and not gone to bed convinced that tomorrow's dawn would not be ours?

Somehow, we have learned to control that sense of impending apocalypse in our lives on such a grand scale, only to be brought daily images of death and mayhem in Bosnia, Rwanda, Grozny, Israel, Ireland, Texas and on our own roads. We have connected our lives by a plug in the wall to a world of inconceivable horrors and painful disasters, none of which we can directly affect or control. At the same time, many of us have disconnected our lives from the solace of institutional religion and we float from cult to personal hedonism.

In our own world, we worship external success, we search for ever more powerful antidotes to boredom and emptiness, we anxiously feel the intensity of a crowded world moving in on our economic and physical breathing space. We demand much of ourselves and more of our children. Sex is a substitute for love, passion a substitute for caring, the 20-second sound bite a substitute for careful thought. We have circuses on holy days. Best not to stop and think. We then can seemingly avoid the tails of our own personal and societal comets.

All of these comet tails have left us in a state of precarious mental health. We need to help ourselves. More to the point, we need to help our children. The stresses of our modern world are enormous. We need defences against their intrusion, strategies to find joy and quiet and connectiveness in our lives, to bring us back to a state of societal and individual health.

Dr. Steinhauer is a medical person who has spent his entire professional life dealing with the effects of stress and finding solutions for those injured precious birds who suffer from psychic disorder—our children. He brings a message that not only reflects on those patients whom he has seen, but also on all of us trying to cope with our overpopulated, dynamic, challenging and insecure world. Dr. Paul Steinhauer is a Professor of Psychiatry at the University of Toronto. He is a Staff Psychiatrist at the Hospital for Sick Children and a Psychiatric Consultant to the Children's Aid Society of Toronto. His academic background, previous employment, professional organisations and committee memberships, publications and speaking engagements are so extensive that he must be the catman of medicine—he has to at least have lived nine lives. He is deeply involved in the Sparrow Lake Alliance and the Coalition for Children, Families and Communities. Through those organisations and his career, he has made a major contribution to mental health services for families and children. I ask you to welcome Dr. Paul Steinhauer.

Paul Steinhauer

I think that that is the most elegant introduction that I have ever been privileged to hear in 33 years of practice.

Good afternoon ladies and gentlemen. I'm going to talk to you a bit today about the effects of stress in families, on children and on youth growing up in Ontario. I want to begin by giving you a report card on the present generation of children. How are they doing when it comes to their mental health, to their school achievement, to their control of aggression? As to mental health, the Ontario child health study which was done in 1989 showed that over 18 per cent of Ontario's children in adolescence, that's almost 1 in 5, had one diagnosable psychiatric disorder. Two-thirds of those with one disorder had two or more disorders, and only one in six of those with a disorder had received any sort of service for that disorder in the past six months. A more recent study in 1994, by the same authors, found that 25 per cent of youth between the ages of 15 and 25 had a mental disorder. The suicide rate for adolescent males, according to the Canadian Institute for Child Health, is four times what it was 30 years ago and has doubled for boys between the ages of 10 and 14.

When it comes to school achievement, the corrected national drop-out rate—and by "corrected" I mean that they corrected the number of kids who drop out by adding back in the numbers of those who dropped back in or who had merely changed schools—is estimated at 18 per cent by Statistics Canada. We know that it is less than that in Ontario. However, we also know that high-risk background, such as either poverty or being a child in a broken family, doubles the risk of premature drop-out and we know that of those who do drop out 32 per cent have not gone beyond grade nine and 40 per cent were 16 or younger when they dropped out. We know also that 12 per cent of adults with only elementary schooling and 16 per cent of all adults in Canadian life lack the confidence and the reading skills necessary for the demands of daily life.

When it comes to delinquency and violence, we know that school violence and violent crime by youth continue to rise and that the cost of correctional services for youth has increased by 37 per cent over the last four years. We know also that the earlier a child begins to show violent or antisocial tendencies, the more severe and the more permanent that problem is likely to be. Most violent teenagers and violent adult males were aggressive as young boys. Even more frightening, a 1991 study in Eastern Ontario showed that 22 per cent of three-year-olds were unable to control their aggression, which is approximately three times the rate shown by a comparable study done 20 years earlier. So there are marked increases in reported rates of spousal and of child abuse. We know that growing up in a chronically conflicted and/or violent and/or abusive family, or in a disadvantaged area, increases the risk of a child entering a developmental projectory leading to conduct disorder as a child, to delinquency and violence in adolescence, and to psychiatric and/or antisocial disorder in adolescence and adulthood.

Now so far I've been talking about that substantial minority of children and youth, roughly one in three, in Ontario who aren't making it. But what about those who are making it? One study done in 1993 took a random sample of 800 mainstream youth. (By that I mean they were not street kids, they were not kids in group homes, they were not children on reserves.) He found that 44 per cent of the girls and 18 per cent of the boys reported that at times they have trouble sleeping due to stress. Fifty-eight per cent said that they handled stress well, although the majority in special classes did not.

And this brings us to a second question, and that is: What are the predictable effects of poor outcomes for children and youth on Canadian society and our economy in the future? In general, I would suggest to you that poor outcomes for children are inevitably going to lead to poor outcomes for society. If our children don't have good attachments in their families, and if they end up learning not to trust and to relate trustingly to others, they will grow into adults with chronic relationship problems, which will affect their families, their workplaces, our society and their parenting of their own children. If we have children who don't do well in school and who drop out or remain illiterate, we are going to have adults who are poor job prospects, who have a higher rate of being chronically dependent on the rest of us, who are more likely to consume welfare and who are predisposed to adult antisocial behaviour. If we have teenagers who are alienated, antisocial and who have chronic emotional disorders, we're going to face increased costs of vandalism, violence, teenage pregnancy and the need for costly services. And if we have children who in their school years don't learn to be productive, we are going to face individuals who as adults have a much higher rate of being chronically unemployed. Our labour force will not have the skilled workers that it needs to maintain its and society's economic base. So we are going to end up with fewer resources to meet the cost of welfare and services. But you can look at these things sequentially too, because the more children don't learn to trust, the less likely they are to do well in school, the more likely they are to be alienated in adolescence, and the less productive they are likely to be in their adult lives.

Now this brings us to the next question, which is: Why are children and youth experiencing so much stress? There's no doubt that children are very aware of the sort of macro-stresses that Mr. Campion was talking about. However, I think an even more important thing is that the distress of children is a direct reflection of any pre-stress and pressure on families these days. And I think that comes from two main sources. The first is a high rate of marriage breakdown. In 1991, the divorce rate was 10 times what it was in the 1950s in Canada. And as a result of that, 20 per cent of families with kids are single-parent families, and of those single-parent families, seven out of eight are headed by women. And 60 per cent of mother-headed single-parent families are living in poverty. And if you grow up in a poor family, then you are over twice as likely to have poor school performance; you're almost twice as likely to have chronic health problems; you're almost three times as likely to have a conduct disorder; you're over twice as likely to be hyperactive and you're over twice as likely to have an emotional disorder. And 21 per cent of Canadian children at this point—that is 500,000 children more than in 1989 when the House of

Commons voted unanimously to eliminate child poverty in Canada by the year 2000—are poor.

And don't think for a minute that just poor kids aren't making it these days. There are lots of kids from mainstream and affluent families who could be making it and should be making it but who aren't making it. And in addition to the problems that are related to being in a single-parent family, seven per cent of children come from blended families which, as was recently shown quite clearly in the Quebec child health study have a higher rate of child problems.

Now the second major cause of family stress is the major technological change, on scale with the Industrial Revolution, which has resulted from automation and computerisation. And this has led to globalisation of the economy, which has led to the loss of many well-paying jobs in the manufacturing sector and their replacement by poorly paying jobs in the service sector. As a result, in 1994 it took two or more earners working 73 hours a week to stay above the poverty line—something that one worker working 41 hours a week could do in 1976. And as a result, 75 per cent of families now require two incomes to stay above the poverty line and this has had a major effect in increasing the number of young families that are poor.

What has happened is that over the last 10 years, there has been a doubling of the number of young families, from 21 per cent to 41 per cent, that have remained poor. It usually isn't until families get into their forties that they're able to get their heads above water economically. Now, although 68 per cent of families, according to an Angus Reid poll back in June of last year, believed that having a full-time parent in the home is the best way to raise children, only 13 per cent of families with children actually do have a full-time parent in the home, even though 40 per cent wish that there was no need for both to work and 50 per cent feel that they lack a good balance between work and family.

Now I don't want to imply that children are damaged by having two working parents. They're not, as long as two conditions are met. The first is that the parents' work stress is not overwhelming. The second is that they receive high-quality childcare, both from their parents and also from the substitute care-givers who look after them during the rest of the day. But as a professor from Carlton University has pointed out, nine of 10 working parents who are responsible for arranging child-care experience some tension in juggling work and family responsibilities, and 20 per cent report that that tension is severe.

And work stress has been shown to be a strong predictor of overall stress levels, of absenteeism at work and of physical and mental health problems. Over the last three years there have been three studies, which have shown that workers with good jobs, that is, middle or senior managers and skilled technicians, are likely to work harder and to work longer. Now some may choose to do so, but others have no choice. It goes with the job. I would remind you that the longer they work, the less time and energy they are going to have for their partners and their children.

Now it's the combined pressures of the increased family breakdown and the increased work demands that have led to what has been called the family-time famine. And studies in the United States have shown that the actual amount of time that parents and children spend together is less today than at any point in the 60 years in which statistics have been kept. And Canadian studies confirmed this—the 3,000 calls today to Child-Help Phone, the work of the Premiers Council here in Ontario and of the Coalition of Children and Youth in an Angus Reid poll. A U.S. study has shown that the more time that senior public school students spend unsupervised, the more likely they are to abuse drugs and the less likely they are to do well in school. And research has shown that how well children do in school at age 14 has less to do with what's going on in their schools than it does with what's going on in their families.

That brings us to the question: What do we need to do to produce a generation of healthy, competent, productive children? We know that there are things we can do at every level of development—during pregnancy, throughout infancy, during the pre-school years, and during the school years, that have repeatedly been shown in empirical studies to increase both the effectiveness and the efficiency of improving outcomes for children. I want to tell you briefly about just two.

One was a home-visiting programme in the state of Hawaii, the purpose of which was to decrease child abuse. This was carried out largely by volunteers. Professional psychologists developed a series of questionnaires which volunteers took to the homes of every mother in all the islands (except for Maui) who had given birth within the last week, and to mothers in high-risk communities in Maui. On the basis of that questionnaire, they broke these down into two groups: those who they thought were at high-risk and those at low-risk for child abuse. They paid no more attention to the low-risk ones. They had their own support systems, but the high-risk ones they visited on a regular basis to decrease their sense of isolation, to increase their understanding and to encourage them to meet the needs of the baby and to recognise early any problems that were coming up in the child or in the mother-child relationship. They succeeded in cutting down the rate of child abuse in the high-risk group by over 50 per cent. When you cut down child abuse like that, you also cut down teenage violence and school failure and you also cut down costs—the costs for remedial education, crime control, foster care and subsequently welfare.

The second example is from the Parry pre-school project, which is a head-start programme of high-quality childcare and education for extremely disadvantaged three- to six-year-olds, who were exposed, in this case, to multiple-risk factors. What was different about this particular study was that they followed these kids through to age 27. At age 27, they found that the graduates of the programme, as compared to controls, had 50 per cent fewer arrests and convictions. A third more had graduated from high school, four times as many were earning $2,000 a month or more, three times as many owned their own homes, twice as many hadn't been on welfare at any time over the past 10 years, significantly more were paying taxes and significantly more were committed to their partners. And the estimate is that every dollar spent on that day-care programme paid off seven dollars and 16 cents down the pipe in terms of the reduced need for remedial services and the decrease in welfare as offset by the increased amount of taxes that the graduates were paying.

Now, with 75 per cent of families needing two incomes to avoid poverty, we need a whole range of extra-familial resources to make available high-quality childcare. And I don't particularly care whether it is day care or home care or nanny care. I just want it to be good care for the children of families who don't have the extended families or their own support systems to provide it.

And I'd just like to remind you about the different effects of high-quality as compared to poor-quality childcare. High-quality childcare for pre-schoolers increases their social confidence. It increases their language and play development. It increases their control over their aggression. It decreases the number of behaviour problems in grade one (as reported by their teachers). It increases their compliance to adults. It increases their willingness to learn and their having the cognitive, emotional and behavioural skills that will allow them to be good students in school. It increases their further school readiness.

On the other hand, bad childcare decreases social confidence in pre-schoolers. It decreases their language and play development. It decreases their control over their aggression. It decreases their compliance with adults. It increases the number of behaviour problems in grade one. It decreases their will and their skills that would allow them to be ready for school when they come to grade one.

This brings us to the last and the most important question: What can we as a society do about it? How can we make possible a healthy, competent, productive generation of children?

Well, my first bit of advice is: Don't leave it to government or professionals—partly because it is too important and partly because we cannot abdicate our role as parents and as members of the community and expect government and professionals to bring up our kids for us and have them succeed.

Secondly, I would warn you that there is no single answer. To produce a generation of healthy and competent and productive children will require contributions from a number of different societal levels—from the level of the family, the workplace, the community, from mainstream services and specialised services and from government.

I want to talk about a number of these in turn. First of all, the family level. We need families and we especially need fathers who realise that good parenting must be an active, and not just passive, process. It isn't enough for us to love our kids. They need our time and they need our involvement. And having an involved father has been shown to increase children's school achievement and to decrease problems in their control of aggression. And over time, there can be a problem here, because work pressures may certainly compete with the needs of children and the parent who isn't going to short-change his kid may be in a position of decreasing his rate of promotion. However, it isn't enough to say, "Well, I don't spend much time with my kids, but what I give them is quality time," because quality time doesn't just come when you plan it. As any person who has spent a lot of time with kids knows, it comes when you least expect it. It may come when you are driving somewhere in a car and all of a sudden something magically happens so that the boundaries are down and so that you and the child are close to each other. So you don't have quality time without quantity time. And it isn't enough just to be watching something that you want to watch on TV and having your kids in the room. That's not the kind of parenting the kids need.

So I would summarise. Those parents who aren't already doing so (and I would say especially fathers, since the literature shows that the bulk of the work is being done at this point by mothers and even the mothers who are working full-time still do more than 50 per cent of the housework and more than 50 per cent of the parenting) will need to give parenting a higher priority and make a greater investment in parenting, if they want to maximise the chance of their children achieving their potential.

Let's talk about the workplace level. For parents to have the time and energy to be parents effectively, we're going to need workplaces that are aware of and responsive to their employees' family responsibilities. But why should workplaces be family-centred? As one spokesman for management stated recently, during contract negotiations in a manufacturing firm in Southern Ontario, "Look, we didn't hire your child. The contract is with you and if you don't like what we offer there are lots of people out there who would jump at the chance to have your job."

We would suggest that there are two reasons for a family-centred workplace. The first is that businesses need to consider their obligation to the community and not just to their stockholders. And we would suggest that there is no better way for businesses to contribute to the community than by minimising unnecessary pressure on their employees, when those pressures are undermining their ability to be parents. There's another reason, though, for family-friendly policies: it pays. As the Royal Bank, the Bank of Montreal, MacMillan Bloedel, Bell Canada and many other firms have found, it pays through decreased absenteeism, through increased productivity, and through increased employee morale and loyalty. And now that companies can no longer offer life-time employment, all but the best-paying companies are much less able to command and to count on employee loyalty. Employees will pick and choose and family-friendly policies will be important in attracting and in keeping your share of the decreasingly available, highly skilled, female employees. The turnover rate with women is twice that of the turnover rate with men and family stress is the major reason that women change jobs. There are many qualified, desirable, responsible employees who are looking for the balance between work and family responsibilities, and if they don't find it, they will leave. And if they leave, you're faced with the cost of advertising, the cost of orienting and training new employees, the time lost for replacement and the time lost until new employees are working up to scratch.

Well, what is a family-centred workplace? We would suggest that it is one that offers its employees many or all of the following: flexible work hours, no-hassle relief time for family emergencies (including a sick child or the unexpected temporary breakdown of their day-care arrangements), job sharing on site, day care on site, available counselling around personal issues or issues related to parenting or care for aging and ill parents, no forced overtime for skilled technicians and managers (so that the employee has the option of not neglecting his family without putting his job on the line), the option for working at home via modem if the person is working on a computer and policies and (especially) managers who are sensitive to the family responsibilities of the worker.

Now at the level of the community, as I read this morning, "The old communities—family, village, parish and so on—have all but disappeared..." and so in order to produce a generation of healthy, competent, productive children, we need to regain the sense of community that has largely been lost. I remember, growing up in Toronto in the forties, that we would have died with mortification if one of our parents had come with us when we went out on Hallowe'en, but what responsible parent these days would send a group of young kids out without supervision? And I remember also how if your car was banged in a parking lot, you would come out to find a note of apology with the phone number. Now these things, I would think, are not common experiences these days. As the World Commission on Learning stated, "Many of the values that were supposed to hold society together" (and I would add, that did hold society together) "are no longer clear or universally supported." We've lost our shared sense of common values and ideals. We've lost our sense of trust and caring, our sense of connection with and commitment to our fellow citizens, and to the community and to the country as a whole. Ours has become a very polarised, us-versus-them society, and we have, as Dalton Camp has suggested, "lost the will to compromise." We've become a collection of pressure groups, each demanding what it wants, regardless of how that affects anybody else.

A good example, I think, is our response to the revision of the social security network. As a nation we only seem able to agree on two things: first of all, that the deficit and the debt must be brought under control and secondly, that somebody else should take the hit for doing so. So we badly need to rebuild and to recapture a sense of community. To do that, we need parents, grandparents and adults without children who are prepared to care about those in society who need help, be they children or their families. We need to establish new networks and communities based on common neighbourhoods, common workplaces, common religion, common interest, common problems, common anything. We need more people who are prepared to give of themselves, either through formal volunteering or through the informal provision of friendship and support to those in need.

Fourth, we need to come to grips with the global economy. We need to recognise that it's Canada's economy, not its social security system, that has broken down. If there were enough adequately paying jobs, there would be far fewer families and children in poverty and fewer demands for social assistance. Most people in the future, however, will never again be able to count on the security of having a life-time job. This has major implications for education. Life-long learning is going to become essential, because people are going to have to retrain themselves in between job contracts for whatever job is available out there at a particular time. And as Marshall Cohen, the President of Molson has said, "We need to change our very attitude towards work. With periods of unemployment between jobs becoming routine, we're going to have to learn as a society to base our self-esteem, which is currently rooted largely on the status of our job and how much we earn on something that is not job-related, or we are going to be faced with intolerably high and unnecessary levels of depression."

I want to talk briefly about the role of government. I'm going to leave the mainstream and specialised services. That's what I usually do when I am talking to teachers, child-care workers and people who are in the health and mental health professions. But I want to talk about the role of government. We can't continue to look to government to solve all our problems by coming up with more and more specialised resources. We can't and we will never as a society be able to afford enough therapeutic resources. We will have to increase our ability to help ourselves and each other, instead of leaving it to professionals to do what should be our responsibility for the care and raising of our children. But we can and we must demand that governments at all levels and the various ministries that plan and fund services for children get their act together and stop beating their own drum. In the last year here in Ontario, the Ministry of Health, the Ministry of Community and Social Services and the Ministry of Education have all come up with major service and policy reviews and they were all done largely, if not entirely, in isolation from each other. Also, various levels of government pass the buck to each other as if it were a hot potato. It goes from the feds to Queen's Park to the municipalities and the school boards and back again. We can't expect government to solve all our problems, but at least we should be able to expect it to stop aggravating them by turf wars between ministries or between departments within ministries, by their passing the buck, by their inefficiency and lack of accountability and by the kind of bunkering-in mentality whereby they talk about partnership but continue to reject any ideas regardless of the merits that are coming from outside the ministry and its internal research staff.

There's an African proverb that it takes a whole village to raise a child. When I first heard that, it made me feel good, but I didn't know what it meant. And I learned what it meant when I was watching that special on violence on PBS a couple of weeks ago. What that means is that if a child is surrounded by caring adults who are ready to meet his needs, when his parents are not available, adults in his home, in his neighbourhood, in his day-care centre, in his school, then the village is caring for the child. And if the children in our community were living in a situation where adults have that kind of caring, not just for their children, but for all children, I can guarantee you we would have many fewer kids with mental health problems, we would have fewer kids dropping out of school, we'd have much less delinquency and violence and we'd be faced with many fewer costs for custody and court costs.

And so, ladies and gentlemen, I think we, as a society, have a choice. We can do what is needed to give children the competence and coping skills they will need to be successful members of society. Or we can avoid doing so, and we can wait and pay later (and much more) for our shortsightedness, as we sit and experience the results of their failure.

The appreciation of the meeting was expressed by Eric Jackman, Ph.D., Psychologist, Honorary President, Ontario Psychological Foundation and Immediate Past President, The Empire Club of Canada.

Dr. Steinhauer, and Directors, Ed Badovinac and Sandy Cameron.

Monty Larkin, Tony van Straubenzee, The Rt. Rev. Bishop Victoria Matthews and The Rev. Tim Elliott.

October 20, 1994

The Rt. Rev. Victoria Matthews

Bishop of The Anglican Church of Canada

SEARCHING FOR CANADA'S SOUL

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

David Edmison, Investment Counsellor, Martin Lucas & Seagram and 2nd Vice-President, The Empire Club of Canada; James Evans, grade 13 student, Danforth Collegiate and Technical Institute; Professor Mary Jo Leddy, Director, Romero House; Gail MacNaughton; Alan Tonks, Chairman, Municipality of Metropolitan Toronto and Honorary Secretary, The Empire Club of Canada; The Most Rev. Isadore Borecky, Bishop of the Eparch of Toronto and Eastern Canada for Ukrainian Catholics; Tom Wells, President, TLW Consulting and a Director, The Empire Club of Canada; Elizabeth Loweth, Executive Director, Canadian Centre for Ethics and Corporate Policy; John W. Graham, Partner, Cassels Brock & Blackwell; and Dr. Jane Poulson, Department of Medicine, Mount Sinai Hospital.

Introduction by John Campion
St. Teresa of Avila Meets Egerton Ryerson

Egerton Ryerson, the saddleback Methodist preacher of the 1820s, Herbert O'Driscoll, the now itinerant Anglican preacher, Dr. Maurice Boyd, formerly of the United Church of Canada and one of the great preachers of modern times, and the Bishops of the Anglican Church, such as our guest speaker, have an occupational hazard in common: namely, how to answer the question that they may hear after any service where they are guest preaching, "I'll bet you don't remember me?" Dr. Boyd illustrates this hazard when he recounts an experience which he had upon the occasion of his return to his first Canadian congregation after a lengthy absence. A hauntingly angelic woman came up to Dr. Boyd after the sermon and said, "I'll bet you don't remember me?" Apparently, he indeed did not remember her and searched for a sensitive and inclusive reply. He said, with his Irish lilt:

"I must confess, sadly, I do not remember you. You see my dear, I had to forget you in order to get on with my work."

That woman parishioner represents, at a slightly exaggerated level, matters of the spirit and Dr. Boyd's work represents the material universe that surrounds us. The first is a symbol which attaches to every religious minister; the second to high appointed religious officials.

We inhabiting the Western industrial society in the last half decade of the 20th century are in deep psychic pain. This century has been the world's most violent. The Apocalypse seems to jump from our very television sets as we watch Bosnians and Rwandans slaughter themselves in an ever-increasing round of violence. We have an embarrassment of material wealth and a need for instant gratification for all of our senses.

Science has delivered to us new technologies and new truths about the universe. My son of 13 came home and announced recently that God could not exist because science did. Apparently, there was no need for a spiritual connection to find truth. The scientists and philosophers can explain or speculate about most things and what they do not understand about the universe, is too complex to understand or carries with it too many minor details that don't matter anyway. But in our modern psychic pain and material universe, any review of the popular media today indicates a powerful need for matters of the spirit. The trouble is that those of us who have been brought up in the 30-second sound bite and access to instant gratification for all needs, can hardly be attracted to a Christian church, a Moslem mosque or a Jewish synagogue, which, if it does touch the spirit at all, does so only after a deep personal commitment of time and effort. So in many places, institutional religion has suffered.

Tradition, authority and community are no longer tools of immense power with which to ask or demand obedience and conformity. Cults attract those in need of easy spiritual development and innocent people lacking in a sceptical capacity fall prey to their dual objectives. Institutional churches must find ways to recreate the passion of their beginnings, on the Christian side to tap the awesome spiritual legacy of Peter, Paul, Augustine and Aquinas, to make alive the possibilities of revelation in a sceptical, scientific age, and to help men and women truly know the power of a bridge between the human and the divine. It is for this fundamental task that society looks to its religious leaders—this is a heavy burden for any Bishop and one that Canada's first female Bishop has now assumed as leader and a symbol of that all-important struggle. The spiritual character of the next generations will depend upon the successful execution of this obligation.

Let me then turn to Bishop Victoria Matthews as a symbol of the feminist revolution. It cannot be lost on anyone that the intellectual legacy of the Western mind has been produced and canonized almost entirely by men and informed mainly by a male perspective. Richard Tarnass, in his excellent book, *The Passion of the Western Mind*, notes that an obvious generalization is that from start to finish, Western philosophy has been a masculine phenomenon. But Tarnass, in his epilogue, suggests that the crisis of modern man is indeed a masculine crisis. He is of the view that the resolution to that crisis is already now occurring, in part, in the tremendous emergence of the feminine in our culture. It is visible not only in the rise of feminism, the growing empowerment of women, the wide-spread opening up of feminine values by both men and women, the burgeoning of women's scholarship, but also in the gender-sensitive perspectives in virtually every intellectual discipline. It is to this powerhouse of a revolution that Victoria Matthews is a child, an heir, a leader and now, an important symbol.

In case all of this seems an impossible burden, let me remind you all of St. Teresa of Avila, one of the greatest Christian mystics. In addition to her spiritual reputation, she was the founder of the Reformed Carmelite Order, and in that capacity, had the highly practical task of institution building. As a mystic, she lived in a world of visions which she described with unforgettable eloquence. But as a builder of the Order, she was down-to-earth, shrewd, diplomatic and purposeful. She had a firm grasp of the political realities of the church and did not hesitate to use them to advance the building of her Order. It is then to these powerful forces that Victoria Matthews has been conjoined.

Bishop Matthews was consecrated in February of this year as Canada's first female Bishop. In her new post, she supervises 43 parishes in the Toronto Diocese. She was born in Toronto, went to school at Trinity College and Yale University, where she obtained respectively her B.A. degree and her Master of Divinity and her

Master of Theology. She has been active in any number of appointments, committees and academic positions. In 1979 and in 1987, she worked in Haiti teaching and assisting with administration. It is with great respect and warmth that I welcome Bishop Matthews to speak to our Club.

Victoria Matthews

It is indeed a pleasure to be invited to speak at today's meeting of The Empire Club. I could not help but note that despite its list of politicians, educators, corporate leaders and media personnel, along with the representation from the various professions and world of public relations, The Empire Club is not given to inviting many speakers from the faith communities of Canada and from around the world! This may be because it's easy to catch the clergy expounding their respective creeds on their respective soap-boxes on any given weekend, but I tend to think there are other reasons. Hence this afternoon, in these very attractive surroundings, I dare to ask you to ponder Canada's soul.

Now this topic is both incredibly trendy and forbidden—trendy, because spirituality is part of our popularist culture; part of the return to individualism and the search for meaning in a land that is still suffering from the economic recession. Hard truths exist in the cash box and so we shouldn't be surprised when the media tell us that people from every walk of life are fleeing reality to find a personal guru, a transforming diet and a meaningful mantra. Spirituality or the quest for spiritual meaning is popular.

Yet religion as a topic still makes us nervous. We avoid talking about religion in polite society. It makes us nervous because, by its very nature, it asks ultimate questions. It makes us nervous because religion makes exclusive claims. And it makes us nervous because it changes lives. Religion offers us everything we want and fear most deeply.

Today The Empire Club has chosen to invite a Christian woman, who happens to be an Anglican bishop, to address them. In so doing, you encounter the scandal of particularity. The exclusive claims of Jesus Christ cause people to pause in an age dominated by relativism.

It is my intention to address the question and topic of Canada: a nation in search of her soul, from the perspective of three words. Preachers, as you no doubt are aware, always have, or at least claim to have, three points. The three words are definition, discipline and self sacrifice.

Clearly in each instance I speak from the perspective of a Christian to the situation found in Canada. Within that context, I am an Anglican bishop. As you can see, immediately certain doors are being shut. But that is the nature and necessity of the first word: "definition."

The Canadian national anthem contains the phrase "God keep our land." A noble thought but an imprecise one. Who is the God we thus address? From whom do we desire protection and preservation? For what purpose are we being kept? Again allow me to mention the scandal of particularity. I worship God in Christ and I will never define the God I worship. Nevertheless, the faith group to whom I belong can be clearly defined and the doctrine of the God we worship can certainly be articulated. There is nothing relativistic about God in Christ. Listen to the definition of faith and religious freedom:

"Religious freedom, far from being a necessary evil, is, I believe, a personal and political good. Genuine religious tolerance is achieved when people hold that their religion is so important, so absolute, that to depart from it is to die, and at the same time realise that another person's values and beliefs are just as important and as real. That is the moment of genuine tolerance because there is a cost involved in the act of tolerating another person's way of living and act of believing."

Surprisingly, Archbishop Carey likens such true religious freedom to pain tolerance, and finds it infinitely preferable to apathy. Pain tolerance acknowledges the presence of something important if not pleasant. Apathy neither acknowledges nor appreciates the existence of another.

Before moving away from my call for a definition of faith, both personal and corporate, let me add that it is absolutely essential here to know that this is an exercise in self-definition. It is morally repugnant for me to presume to define another's faith and impossible for any of us to define the infinite. Hence we can only move to state where we stand as persons of faith in a land of religious tolerance and a plurality of expressions of faith.

Second, let me recommend a much-maligned word: "discipline." Religion presupposes discipline; and Canada, I believe, cries out for a disciplined practice of what is professed. Religion changes lives. The Christian faith, with its exclusive claims about the person of Jesus Christ, invites people to become followers. The Gospel invites lives to undergo radical transformation by meeting the Incarnate Son of God and then re-aligning one's life to worship and follow God in Christ. Those who make that choice, and who remain faithful, find their lives changed. What does that do to Canada?

Nations are made up of individuals and communities and rely upon trust. I am convinced that individuals and faith communities that are oriented towards distinctive lifestyles that seek to give and not to take, worship and not absorb, cultivate and not control, will form superior citizens. By virtue of being highly focussed, they will be assets to the nation.

Lastly on this matter of discipline, let me mention something that seems at first glance to be at odds with definition. The purpose of religion is to encounter mystery. It evokes awe, wonder and the experience of transformation. The highly disciplined life leads then to an encounter with One who defies explanation. For

Christians this enigma is best summed up in a well-known phrase—"Whose service is perfect freedom."

For Christians, and many other people of faith, the life of faith—discipleship—is lived out in community. I do not seek God in isolation. My lifestyle of prayer, study and service is undertaken in concert with countless others. This requires trust and consultation. A faithful nation is thus a disciplined nation.

Third, let me say a word about the call to sacrifice, self-sacrifice. The Cross of Jesus Christ is absolutely central to the Christian Gospel. The other living faiths would be able to tell their own faith story and explain how they relate to the community at large. For Christians, the care of neighbour is extraordinarily important. Again, the phrase "Whose service is perfect freedom" and the many faith stories within the discipleship are not to be underestimated. In a moment I will dare to reflect on what that means or might mean for Canada as a nation.

Three words, three concepts, one country. In fairness to myself, and in fairness to the faith communities to which I do not belong, I have dared to speak openly from the Christian perspective. The other living faiths have their own stories and sense of call. I don't believe any would find my three words repugnant, although they might address the concepts differently. What I don't think, however, is that any one religious group in Canada, let alone all people of faith in Canada, can be well served by a pretence of the lowest common denominator within religion.

As Canadians we live in a nation that sings of God in the national anthem. We have a national motto "from sea to sea," taken from Psalm 72:8. We boast proudly of great aboriginal spiritual traditions, faith groups who came to Canada out of a sense of mission, and cultural giants who have understood this nation in light of their understanding of God. Listen to these words by Ron Graham in *God's Dominion*:

"No student of Canadian politics and history can ignore the extraordinary impact God has had on those who have come here. Spirituality governed the aboriginal tribes of America before the Europeans. Bishops dominated French Canada from Laval to Leger. Religion ruled the issues and parties of English Canada from the Quebec Act through the hanging of Louis Riel to the programmes of 'Bible Bill' Aberhart and the Reverend Tommy Douglas. Denominations shaped our education system, our social services, many of our laws, even the ethics of our business elites. An obsession with sacred themes has characterised our culture from the wood carvings of New France to Jean-Paul Lemieux and William Kurelek, from Sinclair Ross to Margaret Laurence and Denys Arcand, from St. Denys Garneau to E. J. Pratt and A. M. Klein, from Goldwin Smith to Marshall McLuhan and Northrop Frye."

Some of those names are contemporary, but the majority reflect an older understanding of integrating one's understanding of God with one's understanding of being Canadian. To mention something most personal, my consecration as Canada's first woman bishop was heralded around the world for being uncontested. Does that reflect Canada's incredible level of acceptance of woman spiritual leaders? Or does it reflect Canada's apathy? I can't help but repeat that the move towards self-definition, disciplined expression, and the nurturing of the call to sacrificial living is also a call to Canada to come of age.

In closing, I would like quickly to address one very obvious voice of opposition. As a nation we are a private people. We don't join large movements as quickly as our neighbours or our forebears, in most instances. To call for a public recognition of the sacred dimension in our corporate life will be threatening to many. I have to answer that it can also be liberating. Imagine the increased sense of trust in the people who lead in areas of morals and the shaping of society if there were popular permission to speak trustingly and openly about their relationship to, and appreciation of, the Divine. To name their faith, to talk about their discipleship, and to share what self-sacrifice means for them need not be an importation of American religiosity, but could be the sharing of a dimension of our common life as Canadians. I don't believe moral guidance can be effectively given unless there is permission to speak of the faith that is within. Motivation, as well as modelling, is a moral vision is to be caught.

Definition. Discipline. Self-sacrifice. I speak those three words as a committed Christian. I speak them as a religious leader, and I speak them as one who recognises the power of these words of Jean de Brebeuf, written in 1635 from Huronia:

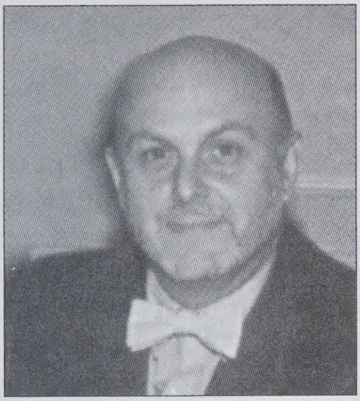
"Truly, to come here, much strength and patience are needed, and he who thinks of coming here for any other than God, will have made a sad mistake."

May the Canada I love be well served by my faith under the God who shall ever have dominion from sea to sea.

The appreciation of the meeting was expressed by Alan Tonks, Chairman, Municipality of Metropolitan Toronto and Honorary Secretary, The Empire Club of Canada.

Elizabeth Loweth, Sister Mary Jo Leddy, John A. Campion, Bishop Victoria Matthews and Dr. Jane Paulsen.

Bishop Matthews and The Most Rev. Isadore Borecky, Bishop of the Eparch of Toronto and Eastern Canada for Ukrainian Canada.



June 23, 1994

Joint meeting of The Royal Commonwealth Society and The Empire Club of Canada

Charles Pachter

Artist and Historian

A ROMANCE WITH CANADA

Chairman: **Ronald Goodall**
Chairman of the Toronto Branch of The Royal Commonwealth Society

Head Table Guests

Marcia McClung, President, Applause Communications and a Director, The Empire Club of Canada; Howard Collinson, Curator, Royal Ontario Museum; Rabbi Sharon Sobel, Holy Blossom Temple; Nona Macdonald, Past President, The Empire Club of Canada; Avie J. Bennett, Chairman and President, McClelland & Stewart; Yves Doutriaux, Consul General of France; John A. Campion, President, The Empire Club of Canada; Ed Badovinac, Professor, Department of Electronics, George Brown College and a Director, The Empire Club of Canada; Rosemary Sadlier, President, Black History Society; Dorothy Duncan, Executive Director, Ontario Historical Society; The Hon. Henry N. R. Jackman C.M., K.St.J., B.A., LL.B., LL.D., Lieutenant Governor of Canada; and Ronald Goodall, President, The Royal Commonwealth Society.

Introduction by Ronald Goodall

Your Honour, head table guests, ladies and gentlemen, my name is Ronald Goodall, I have the honour to be the Chairman of the Toronto Branch of the Royal Commonwealth Society and I welcome you all today to another joint celebration of Canada Day.

About 30 miles from the Dorset home my mother had for almost 30 years lies the village of Dunkeswell in Devon. Grace and I paid many visits to Dunkeswell. Here there is a bit of Canada and the Ontario flag flies proudly over a family chapel surrounded by tall trees, the last resting place of John Graves and Elizabeth Simcoe, a man and woman who lived in Canada for only a few years but left a lasting imprint. On the way back to my mother's home, we pass the village of Whitchurch, Canonicorum. In the village church lies the body of Sir George Somers. His heart is buried in St. George's, Bermuda, the island he discovered. Driving back through Dorset, we remember our visits to Newfoundland and the frequent reminders in the church yards of the adventurers from Dorset who peopled that land. The sailors and adventurers from Devon and Dorset, from Brittany and Normandy, have left us a wonderful legacy.

It may seem odd to be half buried either side of the Atlantic as was Sir George. It may also seem odd to be both artist and historian. However, the early historian had to be an artist or to have an artist on hand to record the events of the day.

Charles Pachter is, of course, one of Canada's leading contemporary artists. His work is there for all of us to see, either in the College Street subway, at the Toronto Stock Exchange or at the Royal Ontario Museum. Some of his paintings caused quite a stir about 22 years ago, but Charles has mellowed over the years and the romance with the moose became a romance with Canadian history. A recent exhibition of his work *Charles Pachter's Canada* at the Royal Ontario Museum featured 23 of his images. I understand that that exhibition continues to September of this year. One of them, an *Obscure Canadian Historical Event*, depicted Elizabeth Simcoe landing at Muddy York. Charles believes the Simcoes were the Washingtons of Canada, and I believe he regrets the fact that we in Canada do not accord our forbears adequate and due recognition.

Ladies and gentlemen, please welcome Charles Pachter who will address us today on "A Romance with Canada."

Charles Pachter

Thank you Ron. It's a pleasure to be here again. I would like to begin by asking for the lights to be dimmed and we'll see whether or not the electronics of today work better than they did six years ago.

It's true. I am obsessed with this country. I am obsessed with its beauty, with its size, with the grandeur of it, with the complexity of it, with its past, with its present and with its future. And I would like to begin by going through, in 20 minutes, approximately 200 years of history for you, Pachter version, to try to give you some sense of why I feel we are at a crucial time in our history. Most important to me, and I say this with great seriousness, I think a kind of collective amnesia has come over us as we go through the events of today and through the fragmentation of smaller cultures throughout the world that are looking to set themselves up with smaller infrastructures. Canada is no exception: it seems like we're forever saddled with what we continue to think of as the Quebec crisis. By the time this lecture is over, I would like to hope that I can help solve this in my own very small way.

But here we are with a flag which has just celebrated its twenty-fifth anniversary last year. It was created out of conflict in 1965—enough conflict to give John Diefenbaker a heart attack. For those of you who don't know it was designed by a Montreal designer. Its origins go back to the early period of the British Navy. I feel, notwithstanding that it's ours, that it is a beautiful flag and that it shines against a blue sky. The red and the white against the blue are to me what gives it its distinctive form and shape. I think that it's recognizable throughout the world.

I am going to start now by going back to the early heartland history of our Ontario. Here we are at trillium time in May. The land, of course, was occupied for thousands of years by the natives. First by the Iroquois in the sixteenth century, who came up from the Mohawk Valley in New York. This, in case you don't know, is very close to Toronto, only an hour away, near the Guelph Line in Campbellford and Crawford Lake. It is worth a visit. These are the First Nations who lived around here and whom Simcoe met when he first arrived.

This picture depicts the Mississauga tribes, in case you did not know: "Mississauga" is not just the name of a suburb or a direction on the 401. The Mississauga Nation, a sub-tribe of the Ojibwa, came down from north of the

Sault in the early part of the eighteenth century (around 1710) and settled the entire area between the Bay of Quinte and Niagara. When the European settlers arrived, these were the people who guided them through the forests, and without whose help and basic knowledge the European settlers and traders and invaders and land-grabbers would never have survived in the woods. Their food, their knowledge of medicine and their ability to survive helped the settlers when they arrived.

This is a picture of Carolyn King who lives today on the Mississauga Reserve near Hagersville, Ontario. The Mississauga purchase of 1786 under Lord Dorchester out of Montreal was the beginning of the shunting of the Mississauga tribes out of the Toronto area. They were eventually moved to the Credit, and in 1839, under Bishop Strachan they were moved out of the Credit River. Today their reserve still exists in Hagersville, Ontario; I went to their pow wow last summer. I was very pleased to be invited to be part of them. If you look carefully, you can see Hazel McCallion there, the Mayor of Mississauga, dancing with them in their pow wow. There is a lot of friendly repartee between the Mississauga tribes and the Mayor of Mississauga. Their Chief said, “Hazel will take 900 million for downtown Mississauga.” Their treaties have not been honoured.

There’s a wonderful book called *Sacred Feathers*, by Donald Smith of the University of Calgary. It’s a story about the whole history of the Mississauga tribes and where they are today. To me, it’s absolutely inconceivable that many of our schoolchildren know about Hollywood Indians and cowboys, but don’t know that these are the people who were here before us. And we owe it to them to give them honour, recognition and equality.

The beginnings of European settlement. If the eighteenth century could be considered English, certainly the seventeenth was the great period of New France. This glorious French Empire existed all the way from Quebec City right through the heartland of the North American continent going down to Wisconsin, Missouri, New Orleans and Louisiana. The French occupied the interior of North America. We must never forget this. They ruled out of Quebec City. The English hugged the Atlantic coast, from Maine down to Georgia. But it was the French who discovered the interior, all the way through the Central United States with the Mississippi River as their corridor.

And what was the reason? The beaver, the pelt. This, with apologies to Margaret Atwood, is a portrait of a beaver I did called *Surfacing*. He's a bit like Giles. It is as if you came across this beaver while you were swimming in a Tom Thomson Group-of-Seven lake.

The drama of what went on after the American Revolution is quite incredible. I would like to draw your attention to the Toronto area first. For centuries, the Toronto portage was known by the Indians and the French as the main route to the upper lakes. It was the short cut around Niagara Falls. This painting is right at the foot of the Humber River, the 28-mile portage, up to the foot of Lake Simcoe. This was a well known route. The Indians used to bring their furs down through this area, which is right near Baby Point Road. Never forget that where we are right now was once the province of Quebec. It wasn't divided into Upper and Lower Canada until the Constitution Act of 1791. But this was also Western Quebec.

And now we come to the period that interests me the most—the great clash in North American history which resulted in the creation of our country. Again the English were on the Atlantic coast and the French were down through the interior. The inevitable conflict which led to the Battle of the Plains of Abraham and the conquest of Quebec in 1759. The Seven Years War was a time of massacre, of mayhem, of the British finally becoming supreme in North America, leaving only St-Pierre et Miquelon under French control. Florida was still in Spanish possession but in 1763 the British conquered Havana and gained Florida as well.

So we are looking at this period from 1763 to 1776, just before the American Revolution, when Britain took over North America. It was a difficult time, because the conquest of Quebec meant that British military governors in the new British Quebec had to learn how to deal with the conquered population: a much smaller group of approximately 50,000 French colonials. Two important figures preceded Simcoe, persons who have very little renown in Ontario today, yet who are giants of early British Canadian history. Sir Frederick Haldimand for one, who, after the American Revolution, supervised a salvage and rescue operation which was unparalleled in our history: the evacuation of over 12,000 Loyalists into the area around Trois Rivières in Quebec and eventually into Bay of Quinte, Niagara and Detroit. It was the Haldimand purchase of 1784 which procured from the Mississauga Indians the land that Niagara-on-the-Lake now stands on today. In 1784 an Indian Chief met Sir Frederick at Fort Niagara over on the other side of the river to help all the American-born Loyalists. These Loyalists were sheltered in Fort Niagara in Lewiston until this land could be procured and in 1794 under Jay's Treaty they marched across the Niagara River, built Fort George, and so began the whole culture around Niagara. Haldimand is one very important British military governor, although his papers have never been published and there are no monuments to him.

But the grand-daddy of all is Sir Guy Carleton, Lord Dorchester. In 1784, Dorchester evacuated over 12,000 Loyalists from New York City into the province of Nova Scotia (which was later divided in two to create New Brunswick and Nova Scotia). The city of St. John, New Brunswick was created overnight as a town of 5,000 people. The arrival of fleets of ships of exiled Americans into the Canadian wilderness is such a story of drama, hardship and misery. It seems to me that New Canadians today relate to it. The first people who came here were political refugees who were ethnically cleansed because they were politically incorrect within a new republic called the United States. But from that upheaval came the beginnings of the mass of settlers who came into this country.

Some 200 of the Johnson family (Johnson Street in Niagara-on-the-Lake is named after the family) migrated into the area near Brockville. They were very wealthy influential colonial landowners in the former province of British New York. They saw the writing on the wall and the committees of safety that were set up in Albany. The American Revolution had its red-neck revolutionary committees that examined the backgrounds of anyone who was deemed to be unsuitable to stay in the new republic. The Johnson family, who were well allied with the Mohawk Indians of New York State (and all the Six Nations for that matter), banded together after the torching of their homes, confiscation of their properties and expropriation of their businesses. This is every bit as dramatic as anything else in today's world—and yet we have not considered these parallels with how our own country began. It began out of the forced removal of a people from one place to another. Again I keep emphasizing that in the schools we ought to explain to the New Canadians who have come from upheavals and debacles that that is how we started too.

Joseph Brant, the Indian Chief, who was educated in England, was head of the Senecas, the Cayugas, the Onondogas, the Tuscororas, the Mohawks, and was part of the Six Nations, was given as his reward for his loyalty to the British side in that American Revolution a 600,000-acre tract of land close to the present town of Brantford. Today, the Mohawk Indians still reside there on their reservation.

And now we come to my hero—John Graves Simcoe. Born in 1752 in Exeter, he was educated at Eton and Oxford. He left to join the Navy at age 19. His father was one of the great sea captains in the Royal Navy: he had been on SS Pembroke, the ship that charted the St. Lawrence River for the conquest of Quebec in May of 1759. He was buried at sea off Anticosti Island, having died of pneumonia. Simcoe grew up revering him as a child.

Simcoe was one of the first young British sailors to arrive in Boston the day after the Battle of Bunker Hill. He wrote a wonderful letter home to his mother, which I found in a 1922 biography. He was sleeping in his barracks, it was late at night, he was burning his chair because it was cold and six of his fellow soldiers had had their legs blown off by the rebels. (We forget when all we hear about are dates and large events that these were personal things, that these were young men fighting for a cause in the Revolution.) Seven years he stayed in the United States. He was imprisoned in New Jersey and in Pennsylvania. He was wounded. He was present with Lord Cornwallis at the surrender at Yorktown in 1781. He went back to England to recuperate, a war hero. He stayed with his god-father, Admiral Graves, who was a friend of his father. Admiral Graves' niece happened to be Elizabeth Posthuma Gwillim. We are going to hear a little bit about her in a moment. He marries Elizabeth who was then 19 although he was 30. They have five children within a six-year period.

He becomes a member of Parliament and lobbies for the creation of a new province, a new British arcadia in the heartland wilderness of North America, to replace the lost paradise of the 13 colonies. He believed strongly in his vision of a renewal of a second British Empire after the loss of the first one. And most important of all, because he knew the North American wilderness so well, right from the very beginning he advocated a multicultural policy in his resettlement of people into what is now Ontario. They were Catholic Highland Scots, they were Black slaves, they were Jewish traders, they were Dutch Quakers, they were French Royalists, all of whom Simcoe advertised for in newspapers outside the colonies wherever his advertisements were accepted—in Bermuda, in Jamaica, in Cuba. He was a real Moses leading his people out of exile into the new promised land of Upper Canada.

And we come to Elizabeth, another incredible figure. She would be an inspiration to any woman at age 30. With two of her five children she embarked on a voyage across the Atlantic. This was in November of 1791, just after the passage of the Constitution Act which divided the former province of Quebec into two new jurisdictions—one predominantly French, the other predominantly English—to satisfy these new Loyalists who had come up from the United States and wanted to maintain a British infrastructure and jurisdiction. This of course is nearly 75 years before Confederation but it's the beginning of the binational contemporary Canadian state. I must go back for a moment to Lord Dorchester and the Quebec Act of 1774. The British military had governed the newly conquered colony of New France and given it the British infrastructure, in league with the bishops and the church. Britain had also granted Quebec the rights to its own language, laws and religion. This was what the Americans called one of the "Intolerable Acts" and it led to American anger against Great Britain. Because they had given Quebec these special rights and had taxed the American colonies to pay for colonial defence, they helped to separate the two societies. Many historians today believe that by conquering Quebec, Britain lost the United States. Now that's a very interesting thing, because it was in that moment that Canada was really created.

Let's get back to Elizabeth for a moment. She was a wonderful artist: very talented, gifted and a linguist. Her diary is a joy to read. Her observations about eating boiled raccoon with mint sauce, sturgeon six feet long coming out of the Humber River, grilled venison on sticks that they ate at Castle Frank and skating up the Don River in the winter are delightful. She describes a paradise of unparalleled beauty. It is almost as though she was a screen writer. Any young film maker could take her diary and make a film about the founding of Toronto.

This painting which I did in 1984 is called *Simcoe's Reward*. It's an attempt to depict him after all his travails—finally landing in Toronto with his tent bought from the effects of Captain Cook, who had died a few years previous. The Simcoes lived in that tent for nearly four years in the wilderness at York.

This one is called *Simcoe's Illusion*. I read of some acrimony between Simcoe and Lord Dorchester. Lord Dorchester was Commander-in-Chief of British Canada and over 30 years his senior. Simcoe was his sub-lieutenant. Simcoe had visions for his kick-starting of Ontario. Dorchester was often at odds with him. I've collected several letters that Simcoe wrote about Dorchester. They are very juicy. It probably would make any Ph.D. candidate's hair bristle to try to write some stories about what caused this division. But it was basically Dorchester's master plan for Quebec which infuriated Simcoe. This was the beginning of an animosity that never ended.

This is a re-creation of the boat that brought the Simcoes to Toronto in July of 1793. They had lived before in Niagara-on-the-lake. There's one small memoir by the Captain of the British Marine on the Great Lakes at that time. He wrote in his diary:

"I still distinctly recollect the untamed aspect which the country exhibited when first I entered the beautiful basin. Dense and trackless forest line the margin of the lake reflecting their inverted images in its glossy surface. The wandering savage had constructed his ephemeral habitation beneath their luxuriant foliage and the bay and neighbouring marshes were the hitherto uninvaded haunts of immense coveys of wild fowl."

How's that for a piece of concrete poetry? It's a pretty language, isn't it? Anyway, you can imagine what this must have been like—a British band on board, probably playing something by Handel or modern music or whatever. Here's the painting to which His Honour referred, called *Obscure Canadian Historical Event*. That's Mrs. Simcoe standing at the foot of Bathurst Street.

This is a detail of a painting that I did. It was an excerpt from Mrs. Simcoe's diary which is quite touching. She says, "It's March, 1794, and the news received of the death of the Queen of France, orders given out for mourning in which everyone appeared and the dance postponed." Now this aroused my curiosity. I consulted the encyclopedia and found that Marie Antoinette had been guillotined in October of 1793. There were many French Royalists already in Toronto. (This is right out of *Great Expectations*.) They fled out of France to England and eventually were told about this infant colony in the new British Arcadia on Lake Ontario. They showed up here as well. Many of you may not know that St. George Street was not named after the man with the dragon but was named after a French Royalist who arrived here in 1801. They were Royalists. They were sorry for the death of the Queen of France. Don't you think it is amazing that they cancelled the dance in the middle of the wilderness?

Here we have a lovely portrayal of Governor and Mrs. Simcoe's great-great-great-great-great-great-grandson and grand-daughter. She's from London and he lives in Washington DC. They came over last year. They were absolutely enthralled that anybody here even cared about them. She is a young architectural designer in London. She's just married and recently had her first child, a daughter named Elizabeth Simcoe McLaren. And it was because of her trip here that she became so enamoured of the history of her ancestor, who had only been here for five years, but who kick-started Ontario with a vision unparalleled since.

Among the most important things that Simcoe did (and we must never underestimate this) is the passing of the legislation for the abolition of slavery in Upper Canada more than 40 years before anyone else in the British Empire. Now slaves were being brought in constantly by new Loyalists from the States. There was no law against them at that point, but for whatever reason and whatever humanitarian cause, Simcoe had forbidden the importation of new slaves. This was the eighteenth century don't forget. There were slaves throughout the American plantations and many of the large landowners couldn't exist in a harsh climate without this kind of indentured work, but he passed the law. We were among the first to do it. There were many Black Loyalists who came up with their former owners, but any children of slaves had to be freed. This was why the underground railroad became so well known in American folklore and history. If you could get to the other side of Lake Erie then you would be freed. We don't realize that it started with Simcoe.

This was one of the regiments. He even had Black regiments in New York State. There were Blacks and there were Scottish Highland regiments. This is the King's Royal Regiment of New York, (started by Sir John Johnson and his group) and the Butlers and the Jessops. These were all influential American colonials who left their 50,000- and 60,000-acre estates and their holdings and made the commitment to come here and start again when they lost the first time around.

This is a picture of the Don Valley from the Canadian Illustrated News in 1860. Now you can imagine what it was like in 1793. Again, Mrs. Simcoe's description of it is absolutely lyrical. The way Indians had taught them to fish at twilight. They would hold the light up to the canoe and the waters would just swarm with fresh salmon. They would pick them up and have them for dinner. This was the lost paradise. You look at the Don River today and you say: "How could we?" And of course the most important thing is that this is where the government got its first taxes. They had to get income somewhere. The rivers were the highways of the eighteenth century. The mills had to be put up by the government and you paid taxes in order to have your wood sawed and your grist milled.

This of course is the Millcroft Inn. And the building of the roads. Simcoe's best friends as a child were Sir George Young and Sir Henry Dundas. He went to school with both of them, they were in Parliament together, and he lobbied with them to get money for the Queen's Rangers to build the roads. Ask a schoolchild today at the corner of Yonge and Dundas if he has any idea who these people are. And of course they built Castle Frank because anyone who had been given a 200-acre allotment of land was to build on it. Castle Frank, named after their young son Francis, stood on a crest of a hill overlooking the Don Valley. Mrs. Simcoe's descriptions of it, again, are absolutely biblical, with eagles swooping overhead, trees bursting with peaches, the first barbecue as they went up the Don River by canoe and venison under the trees. It's all quite amazing. She said she ate 30 peaches in one day. The Indians would bring them maple sugar in exchange for bread.

These are little depictions of what I thought Castle Frank must have looked like. Here's a little Greek temple built out of wood overlooking the river. I thought in 1984 that I had discovered the original base for Castle Frank. I went scampering up the hill near Bayview and Rosedale Valley Road and discovered this abutment. The matter got into the paper which said: "Artist discovers Castle Frank." In fact, it had burned down in 1829. There's very little indication left of where it was but it's still on Crown land behind Castle Frank Crescent. I had a call from a great Toronto historian, who said to me, "You're close, but no cigar. It's an abutment from a bridge that was put up to go over the Don Valley. " The Rosedale Valley Road in 1810 was to lead to the necropolis, but it was never completed. But still we know that Castle Frank did stand in that area. Wouldn't it be nice to recreate it for students of today? Students could go and have picnics or barbecues up there and remember what it must have been like when the first settlers came.

And now we are going to jump forward about 175 years to the near past. This is yours truly at age four at the Canadian National Exhibition, petting a moose with a Canadian woodsman. He was one of those carnival travellers who would go from fair to fair. Here I was at an impressionable age, patting the fur of this big creature. And because of it I became enamoured of the animal. The expression "monarch of the north" also used to confuse me as a child and it was one of the reasons why as a young boy growing up in Toronto I used to wonder if there was any difference between the moose and the Queen, given that they were both monarchs. And the only way I could solve this was by bringing them together. In 1972 I began to think about how the whole phenomenon appears to a child. That fascinating person, dripping in finery and with a foreign accent and jewels and furs, who came here once in a while was our version of Hollywood. Canadians used to fall on bended knee much differently than they do today. It shows how times have changed over the decades. I remember my parents telling me about the arrival of King George and Queen Elizabeth in '39. It was practically a frenzy. By the fifties, it had calmed down a little bit. By the sixties, people were becoming a little more cynical about it. The question as to how this relates to Canada began to fascinate me. I started painting the Queen in a Canadian setting by looking at the iconography of monarchy. There's a lot of precedent for this in art history. The Europeans see it more quickly than we do. But putting Her Majesty in a Canadian setting resulted in a much more exotic connotation. As a matter of fact, when I had my first retrospective in France, one of the reviewers called me the master of Canadian exoticism. We may not have thought it as exotic as they did, but there it is. It was an attempt to look at this complex state of not having our monarch with us. In a way I miss her. Everybody asks me, "Are you pro- or anti-monarchy?" and I say emphatically that I am pro-monarchy. But wouldn't it be nice if she had a summer palace in Niagara-on-the-Lake and a winter palace in Banff for example? And if it can't be Her Majesty then maybe it should be someone from the family.

That's Margaret Atwood. I was fortunate enough to have gone to summer camp with Margaret in the sixties. She sent me her poetry when I was away studying in the United States. I illustrated many of her books, but my proudest moment with her was when we did the *Journals of Susanna Moodie*. It's an epic poem conjecturally based on the inner thoughts of Moodie who arrived in Ontario about 40 years after the Simcoes. She wrote a magnificent book called *Roughing It in the Bush*, describing the hardships of endurance in the wilderness. Atwood took Moodie's longer, more florid prose and turned it into a simple set of poems, which I illustrated in 1980. It took nine months to complete the book. Only 120 copies were printed. It is an epic story about immigration to Ontario.

And there is a portrait of Susanna Moodie that was done at the same time. I bought a farm in the early seventies and used to invite all the artists, actors and writers from the hot lofts on Queen Street. They'd come up to the farm for these leisurely groupings, parties and picnics. A whole series of paintings, called *Figures in a Landscape*, emerged from that.

While I was there, I discovered the butter tart and, much to my amazement, also discovered that it was unique to us. There's no other country in the world that has this patisserie. As the croissant is to France and as the doughnut is to America, the butter tart is to English Canada. Not only did I discover that it was ours, but that there were different varieties. There were Presbyterian ones, Catholic ones and United Church ones. Presbyterian ones are crustier. Catholic ones are deeper. I'm told that there are even Jewish butter tarts that have little poppy seeds on them. But the fact is that it was a Proustian memory. I just decided to keep painting them. When I had my big book launch in 1991, I managed to get a bakery in Orillia, which had the best butter tarts in the country, according to a poll organised back in the seventies. So they brought them all down. Luckily for me, Her Majesty made a very brief appearance at my book launch, because she was on the cover of the book. She asked if she could come and sign the book. I was delighted to have her here. She only flew in for 20 minutes on the Concorde from London and had to leave immediately afterwards. Do you believe that?

Back to the studio, I'm painting away. The flag. It became my obsession for quite a long time. I watched it floating in the breeze and began to realize how beautiful it was as an abstract shape, when influenced by the elements. And I was fortunate enough to have my first retrospective in Provence in the south of France in 1991. I'm happy to say that the French treat artists the way Canadians treat hockey players. It's a country with such a grand tradition of admiration for what artists do. It touched me so deeply going there that I was almost in disbelief at the kind of reverence that I got for the kind of work that I was doing. It was just a very, very moving experience to be there and to enjoy all of that. I happen to have an uncanny resemblance to Cezanne so I managed to avail myself of that a bit and did a self portrait in the same vein.

In 1992, I was invited to the Canadian Embassy to unveil a painting I did of the Canadian flag, which was donated to the Embassy by the Onex Corporation. It hangs there now in the dining room of the Embassy. Having survived 50 winters in Toronto, I found my own little Canadian embassy in Miami Beach. There it is. I call it the "mini embassy." I've been painting there for the last few months and I've just completed a whole new series of works. I discovered, much to my surprise, that Sir Frederick Haldimand, the same man who organised the evacuation of the Loyalists into Quebec, was the British Governor of Florida from 1763 to 1774. But it was hot and there were mosquitoes. Wouldn't it have been nice if Britain had kept Florida as well?

And then I came home to my exhibition at the Royal Ontario Museum, thanks to my esteemed colleague, Howard Collinson, who is sitting at the head table. He is an American gentleman, by the way, who saw things in my work that not too many people had seen in the same way. He put together an exhibition of the best pieces examining Canadian symbolism from the different periods of my work. That exhibition has just been extended to September, I'm delighted to add. What if 200 years later, Toronto, this big metropolis that we live in, filled with people from all over the world, had the same multicultural concept that Simcoe had from the beginning? I live in the heart of Chinatown, where I have been for 17 years. I love to tell this story about going into my Canada Trust branch. The branch is in the middle of this great Asian invasion, this incredible commotion, business and entrepreneurship. Each time I would go in (I have had an account there for seven years) the teller would say to me, "Oh, you have account here?" And I'd say, "Well yes, I have had an account here for seven years." And she'd say, "Oh, I never saw you—all you people look alike." So I said to her, "Well, now I want you to remember me." I have become something of a fixture in Chinatown. Everybody at the bank knows me.

But the fact is that we make fun of this whole challenge of multiculturalism and we say we've lost our roots because of it. Why is it that people don't realise that the drama of what happened 200 years ago is absolutely the nucleus of what is happening in present-day Canada today? This is what makes us unique in the world—a country of safe havens—and I hope to goodness that the Quebeckers understand this as well. It is one of the things that frightens me the most. Just to give you an example, that's my house on the left and the Chinese Baptist Church on the right is originally a Presbyterian Baptist Church built in 1881 overlooking Grange Park. With the co-operation of the Toronto Historical Board, I explained to the Chinese pastor what a beautiful building this was. It's just been cleaned back to its original polychrome brick. No one could be prouder than the Chinese Baptist congregation that the church was brought back to its original architectural splendour.

And here we were last September at the 200th anniversary of Toronto. That's me in my new Toronto hat which resembles the CN Tower and the Dome. Signing the book last year, I put the hat on as a reminder to say at the end something in great seriousness: that a nation's history is like a collected set of memories that are handed down to us as a legacy. If we forget these memories, we've lost the key to our identity. We are so inextricably tied up with Quebec. They are us and we are they. If only we could pass on some of the knowledge of this to the generations to come, to make them realize that this is what makes Canada so unique—that these two founding European cultures ended up living together in this huge land mass. All I want to do in conclusion is say, "We're in this together and let's stay together." Thank you.

The appreciation of the meeting was expressed by John A. Campion, President, The Empire Club of Canada.

Beethoven and Goethe Rock to the Rolling Stones

The artist in our society from Henry Moore to Leonard Cohen to Mick Jagger has become the universal arbiter of public morals; the great artist as a prophet; the artist as spokesman for humanity: at its best, in its suffering and at its worst.

This view of the artist has not always been so. Its birth can be identified with the turn of the 18th century into the 19th and particularized to Beethoven. He established and popularized this view of the artist as an anointed one. Up until that time artists, and in particular musicians, were low- or middle-ranking servants to great households, rulers and churches. Beethoven would have none of this subservience.

On a June day in 1812, in Peplitz, Beethoven gave expression to this new status. He and Goethe, Germany's great poet, were walking in the Royal Gardens. The Empress of Austria and various dukes approached them. Goethe, 20 years Beethoven's senior, moved to step aside. Beethoven lectured him to hold his ground and let the royals part to accommodate them; they held their course. The royals greeted both with courtesy and respect. Beethoven the artist said, "They must respect that which they cannot create."

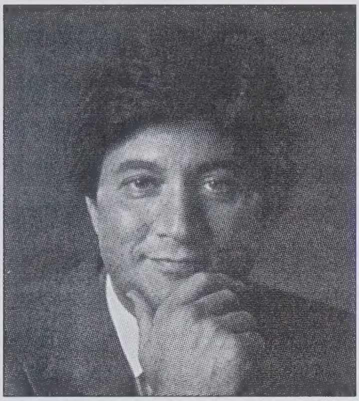
Beethoven thus began the view that the artist is a person set apart from the rest of humanity. By so doing, he is directly linked to the star status of our artists today. If Beethoven has been reincarnated, he is probably alive in Mick Jagger of the Rolling Stones.

Mr. Pachter is a prominent Canadian artist with a deft hand and a clever wit, seen eloquently in his art. He has a recurring theme in his work of the eccentricities of the Canadian consciousness and symbols. Thank you Mr. Pachter for sharing your passion for one of our province's founders, John Graves Simcoe.

Dr. Eric Jackman, Immediate Past President, The Empire Club of Canada, Charles Pachter and Colonel The Hon. Henry N. R. Jackman, Lieutenant Governor of Ontario.

Ron Goodall, Chairman of The Royal Commonwealth Society and Past President, The Empire Club of Canada, John A. Campion, President, The Empire Club of Canada and Charles Pachter.

Nona McDonald, Charles Pachter and Adrienne MacDonald.



March 27, 1995

Joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Garth Drabinsky

Chairman, Live Entertainment of Canada Inc.

CLOSER TO THE SUN

Chairman: **Herbert Phillipps Jr.**
President, The Canadian Club of Toronto

Head Table Guests

John A. Campion, President, The Empire Club of Canada and Partner, Fasken Campbell Godfrey; Jack Darville, Partner, Entertainment, Media and Communications Group, Price Waterhouse; Anne Golden, President, The United Way of Greater Toronto; Philip Drabinsky, Father of guest speaker; Dr. Robert A. Salter, Professor of Orthopaedic Surgery, University of Toronto and The Hospital for Sick Children; Marq de Villiers, Editorial Director, Where Magazines International; Rabbi Irvin Brandwein, Beth Sholom Synagogue; Peter Godsoe, Deputy Chairman, President and CEO, The Bank of Nova Scotia; Michael F. Garvey, FCA, Partner, Price Waterhouse and Honorary Treasurer, The Canadian Club of Toronto; Susan Mann, President, York University; Avie Bennett, President and CEO, McClelland & Stewart; Ronald J. Rolls, Q.C., Partner, Fasken Campbell Godfrey; Colm Wilkinson, The Original *Phantom of the Opera*; Myron Gottlieb, President, Live Entertainment of Canada; William Thorsell, Editor-in-Chief, The Globe and Mail.

Introduction by Miles S. Nadal, President and CEO, MDC Corporation and Director, The Canadian Club of Toronto

Garth Drabinsky

Thank you, Miles, for your kind introduction. Honoured guests, ladies and gentlemen, my personal literary odyssey began nearly six years ago at a black-tie reception. You can imagine how disconcerting it was when a leading Canadian publisher walked up to me and said, "Congratulations, Garth. The rights to your life story are being auctioned off tomorrow."

She certainly knew how to grab my attention. I was a pup of only 38. Since I had no inkling that an outline of an unauthorised biography was making the rounds, I was, to say the least, shocked and disturbed. It was 1988 and I was not yet involved in my attempt to buy back Cineplex Odeon Corporation, the company I had co-founded. I immediately announced plans to write my autobiography and this brought the unofficial biography to an abrupt end.

So today, I would like to read to you selections from my book that will provide some insight into my life and career in the motion picture industry and the world of commercial live theatre. In between these passages, I will provide the context that links the events to show you how, in some way, they are all related.

But, as I say in my preface to *Closer to the Sun*, why tell the story at all?

Why? Because my work is immersed in the magical worlds of theatre and music, and because my life has had its share of drama, comedy, passion, adventure, romance, conflict, resolution, and triumph. It is a story filled with fascinating characters: villains and heroes, traitors and loyalists, liars and cheats, adversaries and enemies, mentors, partners, and great, good friends.

Because I care about my country and want to continue to contribute to it, and because I want to show others that Canada can serve as a wellspring of creativity, if only more Canadians could escape their cultural insecurity.

Because I am certain there are others who will follow me who are equally capable, equally determined, care equally about excellence, and who may learn a lesson or two along the way.

Because I am the impresario of my own destiny, and want to share with others how much of a "rush" it has been.

Our overture begins:

Book (prologue)—I remember one day, in the torrid summer of 1953 when I was only three, running through the sprinklers my father had set up on the lawn, joyous in that innocent way children are joyous, shrieking in childish glee, and then...sometime later, I remember...falling down.

"And waking into a nightmare."

How powerful that first memory, though, how clearly imprinted. The water cold as diamonds, glittering in the summer sun, the heat of the afternoon, the green of the lawn, the smell of wet earth; I remember most of all the wonderful freedom to run and run and run.

"And then the virus came, and the doctors, and my life disappeared for a while into a fog of pain and misery. The glittering water from the sprinklers metamorphosed into the glitter of surgical instruments in the unforgiving light of the operating theatre. After that my crippled leg dragged behind me like a useless club, and I ran no more."

Well, I came back from that. I reached deep down and seized back my life, not only from the well-meaning surgeons who kept me in a hospital bed for so many summers during my first twelve years, but from the doubters and naysayers and sceptics and sneerers. I seized control of my life, and after that I refused to let go.

Book— I wakened into the air-conditioned nightmare. It was September 1953, and I opened my eyes to find myself in a cavernous room lined with small, neat, white beds. I could hardly move. There was no one there I knew, no one to say comforting words, no one to hold my hand or hug me. Out of the corner of my eye I saw there was someone in every bed, kids, some of them apparently whole but most just heads tacked onto giant metal cylinders, bodies, if there were any, wrapped in metal, imprisoned, entombed. It terrified me. "What had happened to take their bodies away?"

I lay there for days, for nights, forever it seemed. At least once a night one of the cylinders disappeared, the kid in it wheeled out, never to reappear. What was happening to them? I tried to ask the nurse, but she only shushed me and wouldn't say a word. She, too, looked frightened. Every now and then I heard someone say the word "polio."

Ironically, that summer the first anti-polio vaccine, the Salk, was being field-tested, and the virus for the vaccine was being grown in Toronto's Connaught Laboratories, no more than a few miles from our little Castlefield Avenue home. Too late, much too late for me. … Within a week, my left leg was severely paralyzed, all the way from the hip to the arch of my foot. … Walking has always been an effort. A mile is, for me, a marathon. My hip aches; pain is a presence that fills my being.

"It wasn't supposed to be this way!"

Bridge—During my childhood, I was operated on seven times. The operations took place during the summer so I would not miss school. I did not experience the carefree childhood vacations that most children do, which caused me enormous frustration.

Book—Then a sense of loss and sadness would overwhelm me, and I would feel suffocated by the unfairness of it. Sometimes all that emotion would break through and I'd strike out at whatever or whomever was near. Once, when I was six, and my brother Shelley was three, it welled up and overcame me. I got so mad at him that I took my hated brace off and threw it at him as hard as I could. It cut him so badly above the eye that he had to be rushed to the hospital for stitches, and he still bears the scar. I missed his eye by a fraction of an inch.

This incident still troubles me— "I could have blinded my own brother!"

I mentioned it to my parents recently at a Passover seder. My wife (Pearl) and our kids, (Alicia and Marc), were there too, listening intently.

"Do you remember," I asked," when I almost knocked out Shelley's eye when I threw my brace at him?"

"No," my father said, "I forget."

I was astonished. I couldn't believe it—this memory that had been seared into my brain for so long. I abhor violence, I have never been a physical person, have never lifted a finger to my kids or anyone else. ... So I asked, "How could you forget? You were hysterical when I did it."

My father's head sank lower and lower. Finally he said, "I guess I tried to blot it out of my mind, because it hurt me so much."

Bridge—I believe my childhood battles with polio galvanised my spirit and sense of determination. There's a saying that fire can either melt metal or strengthen metal, it depends upon out of what substance the metal is made. Since my sports ambitions were frustrated by polio, I became adept at board games and sports trivia. I also turned to strengthening my mind through such pursuits as learning the Torah.

Eventually, the theatre caught my attention. My attraction began in high school, at North Toronto Collegiate.

Book—But it was in Grade 9, when I wandered into a Grade 13 drama group rehearsing Moliere's *The Imaginary Invalid*, that I found myself. I knew right away I wanted to be part of this.

"And no, this is not just hindsight, the chairman of a major theatrical corporation talking. It was a moment of genuine epiphany. I loved it at once. To this day, it's the warmth that excites me. Making theatre is intimate and involving. The smell, the sights, the community of players, the egos, the magical pretence, the chameleon-like nature of theatre, the chance to lose oneself in character and story, everything."

Bridge—After high school, I attended the University of Toronto and graduated with a law degree. My interest was entertainment law and I became involved in film production. My first experience with Broadway came with a musical by lyricist Lee Adams and Charles Strouse, the composer of the hit musical, *Annie*. It was titled *A Broadway Musical*.

Opening night was December 21, 1978. Following the show, we gathered at the famous Sardi's Restaurant to learn what the critics had to say.

Book—The news was bad. Two of the three late-night TV critics had blasted the show. Then, the (late Canadian director) John Hirsch came up to me and shook my hand as if he were offering condolences. He knew what I didn't know and what my partner, co-producer Norman (Kean), probably did, that in the high-pressure, competitive Broadway environment, there really are no last-minute miracles. *A Broadway Musical* had been deemed a dog way back when (the director) Gower (Champion), refused billing, and the critics were not prepared to change their minds.

Around midnight, Norman was back on the phone to find out about the Times review. I sat slumped in a chair at the end of a long open closet staring at him through the coathangers. I saw his face collapse. He just kept saying, "Yes" tensely into the phone. Then he hung up and said, "Bad."... It took us five minutes to agree sadly, reluctantly, but ineluctably, that we had to close the show immediately. Neither Norman nor I could raise any more money for it.

It was time to go back into the Belasco Room and face our investors. They'd left the theatre believing that we had a very significant hit on our hands. They all thought they'd seen a fabulous musical.

I couldn't keep my voice from breaking as I told them simply that we couldn't go on.

"We've heard nine reviews, and eight of them are unfavourable. There's not one review we can hang our hats on," … "We have no alternative but to close the show."

It was Larry Heisey, our most generous backer, who had never wavered in his support, who supplied the evening's only light touch. He immediately called for quiet and he said, "I'm sorry for the other Canadian investors who are not here to enjoy this moment of agony. It seems a shame, first, that they'll never get another chance to see the show, and second, that they're not here to share in this glorious failure."

Then, his tone changed, and he looked over at me. How rare it was, he said, for Canadians to try something like this, to dare to try something large and grand, to risk failure in the service of an idea.

I didn't sleep the rest of the night and I flew back to Toronto in a state of shock. But as soon as the next day, I started to revive.

I reached deep down, again, to that place I had found when I was just a kid, that place where the wellspring of my personality is stored. I reached down and I grabbed it. I had a life still, after all, and my wits, and my experience.

Bridge—Then in 1979, one of my mentors, Nat Taylor, and I opened the first Cineplex theatre, an 18-screen multiplex movie house, in the basement of Toronto's Eaton Centre and began an aggressive expansion of our chain across Canada. I also continued producing films, including *The Changeling*, starring George C. Scott, *Tribute*, written by Canadian screenwriter and playwright Bernard Slade and starring Jack Lemmon, and *The Amateur*, which we shot in Eastern Europe, starring John Savage, Marthe Keller and Christopher Plummer. Some times you get so exhausted by all the activity that you do not think rationally. At least, that's my excuse for what followed.

Book—Within days of completing principal photography on *The Amateur*, a screenplay arrived in our office. It was from Carolco, the Mario Kassar-Andy Vajna partnership that had been our foreign-sales agent for *The Silent Partner* and *The Changeling*. By this time, Carolco had become a fully fledged production company and Kassar and Vajna first asked us to co-finance and then to produce, a film for them—"with their money!"—to be called *First Blood*. The Canadian director Ted Kotcheff was already lined up and Sylvester Stallone was the star.

(My producing partner) Joel (Michaels) and I dutifully read the script, and when we were done, we stared at each other. It was another exploitation theme: this time a war veteran runs amok after he tries to track a Vietnam buddy, only to find the man has died.

"All I see is trouble," I said.

So soon after coming close to freezing to death in Eastern Europe, I just couldn't face risking life and limb on a twelve-week shoot in the wilds of British Columbia. Not to mention the problem of having to deal with the artistic demands of a Hollywood powerhouse like Sly Stallone. Not for that kind of a film.

Carolco offered us a $400,000 producer's fee and generous net-profit points in the movie. Net-profit points are usually called turkey-points in the trade, because only very rarely does a film ever make any net profit after the studio and the stars get what is coming to them out of gross film rentals, but in this case we would have done unbelievably well, because Carolco was also offering us the right to produce any sequels.

But we were weary of exploitation, weary of empty stories, weary in body and mind.

So we passed it up.

Didn't pass up much, did we? Only the chance to produce one of the most phenomenally successful series in the history of motion pictures—*Rambo I*, *II*, *III* and *IV*.

Total worldwide rental gross for the series topped $1 billion U.S.

"Turning point! Clear turning point, ninety-degree bend in the road of life. … If 'First Blood' was what the masses were thirsting for, then clearly Joel and I were out of touch."

"I would have made my fortune if I had done 'First Blood.' And in spite of my emotional bond to Canada, I would have had to move to L.A. I would be living in Bel Air today as an independent producer. I would never have been involved any further in the Cineplex saga. I would have missed all that. I would have missed a chance to build a great company. On the other hand, I would also have missed the treachery of my financial partners in Cineplex and the heartbreak of Black Friday (November 27, 1989, when I was forced to resign from Cineplex Odeon Corporation). And I would also have missed what I am doing now."

Bridge—As Cineplex grew, we began opening theatres in more cities, including the Beverley Center Cineplex in Los Angeles. However, the future prospects for success for Cineplex's Canadian operations were threatened by our limited access to Hollywood films. The two major film exhibitors in Canada—Famous Players and Canadian Odeon—controlled these films. Cineplex's financial problems grew and, in the autumn of 1982, the bank threatened to call our loan.

Book—By now, I was calling Don Partridge (the point man at the Combines Investigation office) and (his director) Lawson Hunter, at their homes every night.

"You have to get this action started, you've got to give me some room to breathe, because otherwise we'll be finished in a matter of days. I'm not bluffing. The bank wants this company in receivership right now, and if this happens, then Famous Players and Canadian Odeon will have achieved their objective of killing Cineplex."

On December 16, the TD Bank asked that certain of the company's bridge-financing loans guaranteed by the principal shareholders (that is to say, me, Myron and Nat) be repaid as a first step toward putting Cineplex into formal receivership. This was no time to vamp. My distress calls to Ottawa grew more frequent. Five days later, Don Partridge, bless him, took the final draft of the papers required for the Section 31.2 application to his department's Christmas party where Lawson Hunter signed them. Indeed, 'tis (or 'twas) the season to be jolly.

The official announcement was made on December 22, and the next day it was banner news in The Toronto Star. "Combines action launched on behalf of Cineplex against the major distributors."

The TD Bank was stymied, at least briefly. It was now in an embarrassing position. Should it be seen as putting a Canadian company out of business on the eve of a great battle with the big, bad Americans?

As for me, I was alive.

Bridge—The Combines Action was successful and we entered a new phase of Cineplex's growth.

After acquiring Canadian Odeon, my company, now called Cineplex Odeon, began expanding throughout the United States.

The rivalry with Famous Players in Canada intensified and climaxed in May 1986 when I secured control of Famous Players' flagship theatre in downtown Toronto, the Imperial Six, which is today the site of the restored Pantages Theatre. Famous Players, you see, was in a dispute over the renewal of its long-term lease with an elderly lady who owned half the land on which the theatre stood. I realised that if Cineplex Odeon gained access to the land, we could close the theatre down and Cineplex Odeon Eaton Centre around the corner could pick up as much as $2 million a year in business. I flew to Traverse City, Michigan and, nearby, in a beautiful log cabin fishing lodge on the shores of Lake Michigan, I signed the lease with Mrs. Rakas.

Book—The coup was like a comic opera. At 6 a.m. sharp on Thursday morning, law students from Faskens served notices on George Destounis, the President of Famous Players, and on Larry Pilon, its general counsel, that Cineplex Odeon was taking possession of what was now its half of the Imperial Six.

At the same time, Myron (Gottlieb) and Mark (Hayes, my lawyer) were driving up to the Victoria Street entrance of the Imperial Six at the head of a procession of about twenty cars and trucks carrying security guards, locksmiths, surveyors, carpenters, and plasterers, all equipped with the tools of their trade, plus two-by-fours, plywood and chainlink fencing—a virtual army that filled almost two city blocks. Just before the final assault, Myron, who was enjoying himself immensely, had called together the assembled masses. None of them knew what they were there for, only that had been ordered to meet at an appointed spot just before 6 a.m. Myron unrolled the treasure map, pointed to the northern rectangle of the Imperial Six building, and said, "As of today, this belongs to us." The entire crowd of more than a hundred people, many of whom had been involved with Cineplex in the dark days when Famous Players had tried to crush us, burst into uproarious laughter.

It took our team only twenty minutes to board up the Victoria Street entrance, fence off the link to Yonge Street, put on new locks, and construct a wall of wooden studs and plaster board between Famous Players' portion of the theatre and ours. Cineplex Odeon executives manned newly installed telephones. Notices were posted in the windows saying, "Attention Former Tenant: If you wish to retrieve your chattels, etc...." At about half past six, a panicked and dishevelled Famous Players' theatre manager arrived, took one look at the barricades and the notice, and spent the next hour in the public telephone booth across the street.

Bridge—With Cineplex Odeon's success, I began to appreciate the muscle I was now wielding. Tonight's Academy Award ceremonies bring back memories of the role I played in the success of Oliver Stone's *Platoon* when, in 1986, it received the Oscar for Best Motion Picture.

Book—When I first ran a print in my screening room, alone at two o'clock in the morning, I had been stunned by the movie's compelling images of men at war and by the melancholy soundtrack, based on Samuel Barber's *Adagio for Strings* that had been used as a dirge at Franklin Roosevelt's funeral. As soon as I could the next morning, I called Arnold Kopelson, the film's producer and my long-time friend (he had sold foreign-territorial rights for my film *The Disappearance*), and gave him my snap assessment that *Platoon* would win Best Picture and a host of other Academy Awards. The film was already booked into my Canadian theatres, because Orion, its distributor, automatically placed its films with Cineplex Odeon in Canada. I offered Orion every one of our U.S. flagship theatres, our large single-screen houses like the North Point in San Francisco, the McClurg Court in Chicago, and the Century City in L.A.

But Orion was unsure of the film's potential, and so had set a limited-platform release, calling for the film to open in just a few select cinemas at Christmas, increasing the run in January if warranted. I knew this was a mistake even before the movie opened in December to virtually unanimous raves. Orion's folly was confirmed the day the movie opened at Cineplex Odeon Canada Square in Toronto, where the first day's gross was $11,000.

That night, while most exhibitors were on their way to Florida or Mexico or the Caribbean, I was on the phone to Oliver Stone and Arnold Kopelson, yelling at them, hectoring them, badgering them, demanding that they increase the runs over the Christmas season. The next morning I took part in a conference call with Orion.

Orion resisted. They couldn't place ads in time, they said.

"I'll open the film wherever and whenever you want, so long as it's now," I said. "Give me the prints! I'll open even without saturated advertising from you—the public wants this movie and you must give it to them!"

My persistence paid off. *Platoon* went wide over Christmas, was heralded on the cover of Time, and became the season's runaway hit.

In March came the Academy Awards.

Arnold asked me the day before the ceremony, "What can I do to say thank you?"

"You can say thank you," I said, "on national TV, when you pick up the Best Picture Award." And that's what he did—in front of a billion or so TV viewers.

Bridge—Another wonderful memory was my meeting with Robert Redford. I was impressed by his creativity and how forthright he was.

Book—In April 1987, I got a call from Michael Ovitz, the President of Creative Artists Agency (CAA), the super-agent who was the Lew Wasserman of the eighties, a smooth-talking, button-down guy who had become the supreme dealmaker in Hollywood, with far and away the most prestigious list of clients. ... Ovitz told me that one of his clients, Robert Redford, wanted to meet me. Redford had been impressed, Ovitz said, with my ideas about financing low-budget films, and he wanted to talk. "Can you call him?" Ovitz asked, "He's at his home in Sundance (in Utah)."

I called Redford that night, and he asked me to fly out and spend the day with him.

I arrived on a perfect spring morning and met him at the Treehouse Café, which was part of the Sundance Ski Resort.

"Hi, I'm Bob," said a familiar tousle-headed figure, taking off his sunglasses.

In his blue jeans and cowboy boots, Bob still looked boyish at fifty. He whirled me off in his Jeep on a tour of the property, talking all the while about movies, about what he wanted to accomplish, about people and politics and the environment—a non-stop stream of consciousness. I found myself in complete sympathy with his values…

"…What a relief from the body-obsessed airheads! What a relief from the cynical titans of Hollywood!"

We wound up the day at Bob's stunning French-style chateau, which he had built in the middle of a picturesque 1,000-acre Utah field. As we drove up, the setting sun lit up the mountain tops, and I could see hundreds of deer gliding about in the dappled meadow-land in front of the house.

"There were worse ways to live."

…by the time I got back to Toronto, I thought of him as a friend. A few days later Michael Ovitz called back to confirm that Redford had felt pretty much the same.

As a result, in October 1987, Bob Redford and I announced a joint venture: North Fork (Productions—Redford's new independent production company) would make a minimum of five movies over five years, all with budgets of less than $6 million U.S. and COF would distribute them worldwide. In direct contrast to the usual Hollywood fare, Redford was committed to making films about the cultures and minorities of North America. The first proposed film was *A River Runs Through It*, about a Scottish Presbyterian family that settled in Montana at the turn of the century, and Redford himself planned to direct it.

Bridge—Although the years of Cineplex Odeon's rapid growth was a heady time, there was a price to be paid. During this time, tensions between me and our majority shareholder, MCA, were increasing. Here is an example of the frustration I experienced, dealing with the "cynical titans" of Hollywood.

Book—Around this time, Norman Jewison and I had become close. Among other things, I was co-chairman of the Canadian Centre for Advanced Film Studies, which he founded. In his office one day, he had told me he was having trouble convincing Columbia and its chairman, my good friend David Puttnam, to greenlight his next project.

"I want to make *Moonstruck*," he said. "It'll only cost $10 million U.S., it has Cher, and a screenplay by John Patrick Shanley, but I can't seem to get a decision."

"I was taken aback. Only $10 million U.S., with a star like Cher and a screenplay by one of Hollywood's comers? I knew the writer's merit because COF had financed his *Five Corners*. It was hard to believe.

At around that time (MCA President) Sid Sheinberg had fired Frank Price as head of Paramount and had installed Tom Pollock in his stead. I saw an opening.

"Hold on Norman," I said, "let me read the script and I'll get it to Sheinberg and Pollock. I'm sure they'll make your movie."

"You've got a week," Norman said.

I read the script overnight and then called Sid.

"I can't make a deal now," he said. "My son's getting married, I've got too much on, I can't do it right now."

"Sid," I said, "just say yes. Don't think, just do it. You can't lose."

But he wouldn't budge.

I called Pollock.

"I can't deal with it now," Pollock said. "I'll be on vacation in Hawaii. No, I can't do it."

In the end, *Moonstruck* cost $11 million U.S. for U.A./MGM to make—and grossed $200 million U.S. worldwide!

Bridge—About this time, I began to pursue the Canadian rights to Andrew Lloyd Webber's live musical, *The Phantom of the Opera*. Following up a trip to London to finalise the deal in May of 1988, I headed on to Israel where I was to release a group of Toronto Jews from the entertainment industry, keeping a promise to the United Jewish Appeal. It was my first visit to Israel.

Book—I arrived in Jerusalem at four o'clock in the morning. Back in London drafting was still going on, but for a while my worry and concern were banished in an overwhelming wash of five thousand years of Jewish history. As we drove through the Jerusalem night, with the cool, dry air fresh on my face and the sweet fragrance of flowers, lush, verdant gardens and palm trees in the air, a tear trickled down my cheek. It happens to every Jew, I am told, arriving in Israel for the first time.

My guide, Victor Yagoda, asked me, "Where do you want to go?"

I paused, watching the famous honey-coloured Jerusalem limestone as the car passed the venerable buildings of Old Jerusalem, imprinted with thousands of years of grief and triumph. I shivered, sensing the press of the centuries, the millennia.

"The Wall," I answered.

We travelled through the meandering streets of Jerusalem, past mosques and churches, to the old city and finally to the Wailing Wall, bathed at that dawn hour in a golden light. I was mesmerized, and deeply touched, to see Jews there at that hour of the morning, "davening" in dozens of dialects, in front of that centuries-old symbol of Judaism. All through the next week, I felt pulled between the extremes of one of the deepest emotional experiences of my life and the negotiations for a show I wanted dearly.

Bridge—The next few years were a tumultuous time of extremes, exacerbated by the hostilities arising from Myron Gottlieb and my attempt to buy voting control of Cineplex Odeon. We tried to accomplish this by purchasing 7.06 million shares from the Bronfman group for the tidy sum of $123.6 million. Although MCA owned 49 per cent of Cineplex Odeon's shares, under Investment

Canada rules it was allowed to vote only a third of them. Charles Bronfman and others, through his company Claridge, owned 30 per cent of the non-MCA shares which, combined with my 3.5 per cent and the 3.5 per cent owned by Myron, would have given us "de facto" control of the company.

Book—On Friday night, April 7, Myron called Skip Paul, (MCA's head of a new investment division), in L.A. and left a message on his answering machine.

I don't think I slept much that night.

The next morning I read in The Financial Post that there was speculation I was buying the Bronfman shares. Soon afterwards, Skip was on the phone to Myron. Myron patched Skip into my car and then said, "Skip, we've negotiated a deal to buy the Bronfman stock."

For the first time ever, Skip was speechless. If I hadn't been so nervous, I would have laughed.

Then he said, "Well, I figured you might try to do this over the next month. I told Sid (Sheinberg, President of MCA) this. I wanted us to sit down and discuss it."

More chat, then Skip asked, "Why didn't you tell us?"

The appreciation of the meeting was expressed by John A. Campion, President, The Empire Club of Canada and Partner, Fasken Campbell Godfrey.

Hermaphrodite Plays Alone

Creating the self is an art form. Autobiography goes beyond art. The writer not only creates himself in writing, but also in the illusion that we call real life. Autobiography is not only an artistic experience for the author and the object of the creation, namely himself, but also it was truly a quasi-religious experience for both the creator and the created. How can the rest of the world judge this essentially hermaphroditic experience?

Everyone is a potential subject in autobiography—no act or feeling is too intimate or trivial to be a pathway through the wilderness within. The exploration of that internal wilderness has been explored in modern man in the highest form by Jean-Jacques Rousseau in his *Confessions*, by Benjamin Franklin in his autobiography, and Goethe's autobiographical writings using *Dr. Faustus*.

In 1776, Rousseau wrote the opening sentences of his *Confessions*:

"I have resolved on an enterprise which has no precedent and which once completed will have no imitator. My purpose is to display to my kind a portrait in every way true to nature and the man I shall portray will be myself."

Franklin's biography is the most widely read work of an American after *The Declaration of Independence*. His is both a chronicle and a credo. It is a success saga; a scenario of a self-made man.

It took Goethe's *Dr. Faustus* to render the heroic and anti-heroic archetype for the modern era. Faustian has come to mean an infinitely aspiring and always dissatisfied soul.

In paying tribute to Garth Drabinsky and his autobiography, it is not his confessions or his success saga or his infinite aspirations and equally powerful dissatisfactions that fully capture our imaginations. Something else causes us to celebrate his success.

It goes deeper, to the joy and magic that he made possible through *Phantom*, *Joseph*, *Kiss*, *Showboat* and his other spectacular performances. Western religious tradition, based on Moses' conception of God as a single, all-powerful creator, has been turned on its head, beginning with Beethoven when he first raised the idea that the artist creator was the mystical intermediary between God and man.

Garth Drabinsky, in making possible for the children and adults of Toronto, the songs and mystery of the theatre of such dazzling attractions, has successfully inherited this notion of the artist as intermediary between dust and glory. His role as the artist's handmaiden has opened a pathway to that mystical other world.

It is for all the pleasure in our hearts that his creations bring that we celebrate his great contribution. On your behalf, I express our appreciation to Garth Drabinsky, President and Chief Executive Officer, Live Entertainment of Canada Inc. for being with us today.

Garth Drabinsky and Ron Rolls, Partner, Fasken Campbell Godfrey.

John A. Campion, Garth Drabinsky, Colm Wilkinson, original Phantom of the Opera and Herbert Phillipps Jr., President, The Canadian Club of Toronto.

Remembrance Day 1995—Piper.

EMPIRE C
1903

Albie Sachs raises the new flag of South Africa.

PART II—TRUTH AND THE PUBLIC

Political leaders, journalists who report to the public about events affecting our lives and public relations experts who shape and control public opinion have much in common.

All who labour to construct a public life or seek to affect public life do so in full view of the world—for those involved in the public life "build on a hill" and "cannot therefore be hid." In our democracy, we have a right to require that political figures, journalists and public relations experts to be faithful to the truth and to the search for the public good. Anything less is a fundamental breach of a covenant owed to the public. Without faithfulness, there is no democracy, no honest opinion or no fair and accurate persuasion.

Politicians are first and foremost required to be faithful to their promises and their own integrity. An author wrote and came to speak to us about faithlessness in the public service. Winthrop's sermon in 1630 could have been made to Brian Mulroney.

Those who report and express opinions in the media have power rivaling Parliament. It was not always so.

Journalists began to take centre stage in the period 1815 to 1830. Steam presses turned newspapers from journals for the elite to popular tabloids for a varied and large audience. From the beginning, journalists were sceptical of authority and sensational in the exposure of public officials. But as the reach and power of newspapers increased, journalists became part of the elite. With their broad influence in print, radio and television, journalists are struggling to find the appropriate code by which to govern their own exercise of power.

The economics and material well-being of the Western world is driven by consumerism. Those who shape our choices and opinions are experts in public relations. This economic engine of consumerism is the real democracy of the world. Choices made by individuals can quickly change the course of giant enterprises. The science and art of public relations is practised privately, out of the scrutiny of a properly sceptical public. The power to persuade brings enormous benefit to the maker and the purchaser, to the elected and the elector—but there is an uneasy tension because of the intrusiveness of this largely mysterious expertise of public relations. With journalism, those who practise the profession must adhere to strict codes in the public interest.

November 17, 1994

Stevie Cameron

Journalist and Author

CORRUPTION IN GOVERNMENT

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Carlyle Dunbar, Financial Journalist and Honorary Director, The Empire Club of Canada; Katie Flynn, grade 13 student, Jarvis Collegiate Institute and Editor-in-Chief, Jarvis Jargon; Andrew Phillips, Senior Editor, Maclean's Magazine; Phyllis Bruce, Publisher, Phyllis Bruce Books; Keith Morrison, Co-Host Canada AM; Sarah Band, Past President, The Empire Club of Canada; Sylvia Stead, National Editor, The Globe and Mail; John Macfarlane, Editor, Toronto Life and Partner, Macfarlane Walter & Ross; Larry Stout, Broadcaster and a Director, The Empire Club of Canada; Patricia Best, Author and Journalist; The Rev. Cameron Brett, Minister, St. Andrew's Presbyterian Church; Nancy Gall, Managing Editor, The Financial Post Magazine; Richard Gwyn, Columnist, The Toronto Star; and Jan Walter, President, Macfarlane Walter & Ross.

Introduction by John Campion

John Winthrop's Sermon

In 1630, in a sermon aboard the Arabella, sailing for the New World, Puritan lawyer John Winthrop took a text from The New Testament, Matthew 5, verse 14:

"A city that is set on a hill cannot be hid..."

From this text, there is chiselled in stone in the Boston Common, the following phrase:

"For we must consider we shall be a city upon a hill. The eyes of all people are upon us so that if we shall deal falsely ... we shall be made a story and a byword through the world."

Winthrop, elected annually to the governorship 12 straight times in a row, also began to articulate the need to establish individual liberty to maintain civil order, a concept that helped form the basis of the early American legal system and affects both the American and Canadian constitutional law through *The Charter of Rights and Freedoms.*

At the conclusion of a lawsuit brought against him as governor, Winthrop gave a speech on the authority of magistrates and the mission of government officials. He said, in part:

"We account him a good servant who breaks not his covenant... When you call one to be a magistrate, he does not profess nor undertake to have sufficient skill for the office nor can you furnish him with the gifts, therefore you must run the hazard of his skill and ability. But if he fails in faithfulness which by his oath he is bound unto, then he must answer for it."

Prime Ministers in Canada face Herculean demands:

- the need for practical compromises in a country of competing provincial and group interests;
- the requirement of a political party system in a large and diverse land;
- defining the acceptable limits of patronage in a society where affirmative action and political systems require that governors can know and trust the political support of appointed officials in important posts so as to govern effectively;
- the acceptable interface between business and government in a large land with a small capital base;
- the overexposure of personal foibles in a television age;
- the demands and accusations of an opposition system, followed by the compromises of finding practical solutions in government;
- the shifting needs of a society in a rapidly changing, interdependent world; and finally
- the actions of individual ministers who themselves are accountable to Parliament but who necessarily reflect upon the leader of the government.

All of these factors can strike at the perception of faithfulness of a leader. No politician can escape the analysis. Few governments remain totally unscathed.

The criticism of public figures raises issues concerning the requirements that fall on journalists and authors who write about politics. These demands, too, are beset with high, conflicting and sometimes impossible demands:

- the difficulties of writing without full access to information;
- the sometimes impervious nature of modern political and bureaucratic systems;
- the tender divide between policy and personality;
- the obscurity wrought by the development of public opinion by governments and others;
- the need for a sophisticated, mature and insightful mind and clarity of writing in the journalist;
- the need for compelling titles and headlines to attract attention in a competitive media and book world;
- the trade-offs between balance and partisanship; and
- the tensions involved in writing a story where truth is subjective and trial court level proof entirely impossible.

The faithfulness about which John Winthrop wrote is essential for public figures—including journalists. Our democracy depends on it.

Stevie Cameron is the author of a book alleging scandal during the Mulroney era in politics. She is a highly respected journalist and author. She is a contributing editor to Maclean's Magazine, a columnist in Equity Magazine, a frequent commentator on *Morningside*, CBC commentary, *As It Happens*, CBC morning radio shows and other television and radio programmes. She has been a weekly political columnist with the Globe and Mail, a contributing editor to Saturday Night, contributor to the Financial Post Magazine, Chatelaine, Toronto Life and other magazines.

She was a host of CBC's *Fifth Estate* and a reporter for The Ottawa Citizen, The Ottawa Journal and The Toronto Star. She is the author of other books, including *Ottawa Inside-Out* and this fall has published her book on the Mulroney era in politics.

This work touches on the dark side of politics. By doing so, Stevie Cameron raises issues about faithfulness in politics, its reality and its illusion and the pressures and limits on journalists and authors in writing about such controversial topics.

Stevie Cameron

Thank you very much, John, and thank you to everybody who came. I've been expecting to be hit with some buns, and not one has hit me so far. I started to feel at home when I walked in, because I heard *The Road to the Isles* on the piano. My grandfather, who was a very right-wing Conservative Tory mayor of Belleville, used to pipe us every Sunday morning to St. Andrew's Presbyterian Church in Belleville by playing *The Road to the Isles*. The grandchildren knew it was time to run down the stairs and get ready to go to church. No one in Canada was brought up in a more right-wing, staunch, Conservative family than I was. And so I thought: "This feels like home in here."

I also thank The Empire Club for its sense of humour. The last time I was at the head table, I was invited to sit beside Bill Gardiner, who was the guest speaker. They thought that it would be fun to put us together and it was. We actually had a very good time.

I would also like, before I start today, to tell you that one of the guests here in a sense got me started on this path. It was Keith Morrison, who many years ago gave me one of the best stories I have ever had. He and his wife Suzanne, who are very good friends and neighbours of mine in Ottawa were over for supper the night before they moved to Los Angeles. Keith told me that he had been in the parliamentary dining-room that day and had seen a man called Rick Logan in the parliamentary dining-room. Rick Logan was an aide to Bob Coates, the Defence Minister. He said, "Rick told me with great merriment today about a wonderful thing he is doing. He is applying for $20 million in DREE grants to start a clam fishery in Nova Scotia." Keith and I cracked up; we laughed and laughed. And that was the clam scam that turned out to be my first big hit for The Ottawa Citizen and Keith went off to Los Angeles after telling me the story. So it's all thanks to you, Keith.

Since last Saturday night, I have been on this book tour, as many of you know. I was in Vancouver for a few days. On Saturday night I had dinner with my uncle. He is 86 years old, a distinguished former soldier, a former Conservative Party MP from Vancouver, a former president of the British Columbia Tories. He is the man who coaxed me into having a coffee party, when I was at UBC, for his friend Howard Green, who was then the Minister of External Affairs and running in my riding. He is also the man who convinced me to join the Young Progressive Conservatives at UBC, which I did. So we go back 34 years in party politics in British Columbia.

When we were having dinner he said to me, "Was the Mulroney government an aberration? Stevie, was it always like this?" And he said, "Is this just business as usual, or were these people unusual? Was this an aberration?" And I said, "I believe it was an aberration." And I said that every government has its crooked politicians, its patronage and its rigged bids, but there was never a government in Canadian history like this one. It was an example of a small coterie of people who hijacked the Conservative Party. I haven't been able, of course, to belong to any party during my many years as a journalist, but I said to him, "You know, many of the cabinet ministers in this government were as honest as anyone I know, and many of the MPs were. There are plenty of honest Tories and the Party will come back. But the people who were honest during those years were powerless."

There wasn't any government that ever had as many politicians, political aides, organisers or fund-raisers under police investigation. Many of these people were charged and many of them were convicted. A significant number of those people under investigation were in the Prime Minister's closest circle.

There was no prime minister in the history of this country who ever rewarded his closest cronies and bagmen with as many contracts, honours and appointments.

There was no prime minister in the history of this country ever before who filled so many senior diplomatic jobs with his best friends. No other prime minister in the history of this country has told Canadians to tighten their belts and then flaunted an extraordinary jet-setting lifestyle.

And so many things have happened since my book went to print. I was frustrated this fall. The book went to print in early September, and within days of that, one of the Prime Minister's closest friends was charged with income tax invasion and several more crashed into bankruptcy. One of those who did is now under investigation for his misuse of trust funds.

No other prime minister has ever terrorised the press or the public service the way this one did and no other prime minister ever brought Washington-style lobbying to Canada, forcing hundreds of businesses to retain firms who offered them little more for their huge retainers than an old-fashioned protection racket.

So I told my Uncle Ces, "Yes, this was an aberration. No, this is not your party. This is not the party I once belonged to. These were a bunch of bozos who took us for a nine-year ride."

A lot of the Mulroney Tories—well there haven't been very many of them, perhaps one or two—have tried to defend the former Prime Minster and his gang. They've said the book was dependent on anonymous sources. These people are ignoring the names of the on-the-record Conservatives who helped me—people like former Deputy Prime Minister, Erik Nielsen. He told me that he had been so disgusted with the corruption in the government, and so disheartened by Mr. Mulroney's failure to clean it up, that he resigned two years after the government came to power. And he said to me, "You know, I'd love to run for the leadership myself at some point, but I have a sex scandal in my own history and I knew that that would prevent me from ever running for politics, or running for the leadership," and then he said, "I also don't excuse the fact that I took a patronage appointment when I quit." He said, "My pension was small, I needed the money and I wanted to do the job." He eventually became, as you know, the head of the National Transportation Agency. He said, "I couldn't work with this government after 1986. The worst thing that ever happened to me was having to stand up in the House of Commons, while the Prime Minister was in Asia day after day after day, to try to defend Sinclair Stevens. "That ruined my political career and it ruined my faith in my party."

The Tories who say I'm depending on anonymous sources are ignoring the on-the-record help I had from Rod Stanler, a former Assistant Commissioner of the RCMP, who told me on-the-record that he left the force after 33 years of a very distinguished career, when he found it was impossible to investigate crooked politicians because of political interference. They are ignoring the comments from some of Mulroney's closest friends and allies who agreed to see me. These are people like Senate speaker Guy Charbonneau, in my mind the most powerful man in Ottawa during those years, who admitted to me that he did make calls to public servants on contracts and on this lease and that contract and basically that he saw nothing wrong with it They're ignoring the fact that David Angus also spoke to me. David Angus was the Chairman of the PC Canada Fund and he admitted that he had given the Mulroneys expense cheques every month. This was after years and years of denying that the Party assisted the Prime Minister with a supplementary income. There was also Robert Foster, a businessman here in Toronto, whom many of you know well. He replaced David Angus as the party fund-raiser. He was stunned when I showed him a cheque I had from a secret PC Canada Fund in Montreal which was used to pay Mulroney expenses. According to Robert, the Party was only supposed to have one bank account. There was Toronto advertising executive, Tom Scott, another person who agreed to speak on-the-record and very frankly, as frankly as Erik Nielsen had. He designed the Tory ad campaign in '88 and the unfortunate campaign of 1993 (which none of you will forget). He told me on-the-record how he paid one of Mr. Mulroney's closest friends, Michel Cogger, $4000 a month for years and years, just to be his eyes and ears in Montreal. In those days, as he would say himself, it was good business to keep the Prime Minister's pals on the payroll.

A lot of other people agreed to be on-the-record for this book. They include the hoods, mobsters, hit men and fraud artists who provided the brass-knuckle enforcement that was needed, in many cases, to keep people in line. And even an RCMP informer, Mike Mitton, a Montrealer who is now in Vancouver, and who worked as an undercover sting for the Mounties in the mid-eighties to trap crooked politicians, agreed to go on-the-record. Today, his life is in danger. As many of you know, Mulroney's chef, who provided an inside glimpse of life at 24 Sussex, is on-the-record. He tried to write a book himself about this. He had a lot of trouble—well, he couldn't get a publisher—and so a few years ago, when I was hosting a *Fifth Estate*, the first story I did for the *Fifth* was a piece on James Cross—the man who was abducted by the FLQ, the British diplomat—and one of the people we interviewed was one of his kidnappers. This man is now a very respectable publisher in Montreal. I asked him if he had seen the chef's manuscript and he said, "Yes, I have seen it." And I said, "What did you think?" And he said, "It's good, it's good, I'd love to publish it." And I said, "Why did you turn him down?" And he said, "Because I'd lose my Canada Council Grant." And I love the idea of the terrorist being afraid that the government would suspend his grant.

As I go around Canada now, the questions that I get from people are the same everywhere. How could this have happened? Where were the Opposition? Where were the press? Where were the police? And why didn't anyone do anything?

Well, as I said earlier, it happened because the Party was hijacked by a small group of people determined to cash in on their turn in power. They'd been frustrated by Joe Clark's failure to make the appointments and give the contracts that they expected in 1979, and this time, they weren't going to take any chances.

There were lots of people in the Conservative Party who objected. Nielsen did. David Kilgour, the MP from Edmonton, was frozen out and eventually crossed the floor of the House. Suzanne Blais-Grenier objected and we all know what happened to her. She was the Minister of the Environment who said that there should be a royal commission to investigate a kick-back ring that she knew existed in the Party. She said she would give her sources only to a formal royal commission. She was crucified for her statements and thrown out of the Party.

The Opposition have to take some of the blame for this. They knew exactly what was going on, because so many whistle-blowers approached them. They called with information and documents. The Opposition MPs would often pass them on to me and I would say, "Look, why don't you raise it in the House?" Well they said, "Our leaders are very reluctant to raise these issues in Parliament." They believed, to a person, that there wasn't any political advantage for them in raising scandals in the House because scandals make all politicians look bad, not just the Tories. Audrey McLaughlin, John Turner and John Chrétien didn't like it when their own MPs pressed them to raise these scandals in the House.

And yet the police knew what was going on. But there was so much political interference in their investigations that they were almost powerless.

Okay, so what about the press? Why weren't the press more vigorous? Well, TV and radio reporters believed that these stories are far too complicated for them. Broadcasters have to be very short and fast. In TV, you have to have pictures. One of the reasons I was hired at the *Fifth Estate* was to do exactly this kind of story, but when I was the host there I finally was told, "Your kinds of stories don't make good television. With you, we are always filming guilty buildings and bits of paper."

So broadcasters all left it to print journalists. The only print journalist, who could do these stories were people who were working for the big outfits like the Globe or Maclean's or Toronto Star, or Southern News, because they're among the few publications in this country willing and able to pay the high cost for libel lawyers. And even these publications grew very weary of Tory scandals. I remember the reaction of people at the Globe and Mail—"Not another crooked Tory, Stevie?" The only person who never said that to me was Sylvia Stead, my editor at the Globe, who's here today. When reporters did get these stories out, the price that we paid was horrendous. The barrage of hostile and abusive letters which would come to our editors, and the phone calls from senior people in the Prime Minister's office, and from cabinet ministers were exasperating. The producers on television and radio got the same treatment. I had several friends in the press gallery in Ottawa who were fired because of their stories. I have several friends whose spouses were fired. I have other friends whose spouses were hired, which was just as effective a way of keeping people quiet.

As an aside here, it's really important for Canadians because most Canadians don't understand this—we have a completely different legal system here in Canada than they do in the United States. In the United States, reporters can report what they believe to be true. Here, it is up to the reporter to be able to prove everything will be right. So we can only print what we can prove to be true. That's why for me the biggest challenge I had in doing this book was the documentation, which had to be given to

Peter Jacobsen, the libel lawyer that was helping us. The most important investment I made was a $15.95 three-hole punch from Grand & Toy. I knew that Peter and Jan Walter and John would demand proof all the way through for everything I was saying, so I had to document it very carefully and cross-reference it.

I started with this. This is my mother binder. By the end of the year and a half I had 30 of these, plus 20 banker's boxes of documents. But the documentation I needed to give Peter are in these binders. And I have shoe boxes full of tape recordings. They're under beds in my neighbours' houses. But this binder, which I picked up by chance, is my first Crooks and Scandals binder. I've got four Crooks and Scandals binders, two Cronies binders, two Lifestyles binders, one Sting binder and so it goes. This one is A to B, airport, airbus, and bases rackets, military.

Another question I get is a very cynical one: What does it matter? Everybody indulges in corruption, I'm told. If it's true that everybody does it, is that an excuse to allow it to continue? Citizens in countries all over the world have decided that they have had enough. We've seen massive changes in countries like Australia, Hong Kong, Britain, Italy and France, where citizens are trying to fight corruption at the highest levels of government. I would say that the most dramatic changes have taken place in Italy, where a group of magistrates, who are independent and duty-bound to investigate and prosecute, have risked their own lives, and many of them have been killed, to bring a whole political class to heel. I think that here in Canada we have buried our heads in the sand, and have refused to realise that we too were being run like Italy was. And I think that the other thing we have failed to realise when we are cynical about corruption is that it doesn't make business sense to run a corrupt government. One of the reasons that Hong Kong has decided to reform her government and make sure that it is a clean government is that companies and countries don't want to invest in communities where the politicians are crooked. I've spoken to business people, a very good example of which is Sid McMurray, who was a developer in Ottawa. He lost his office building there under power of sale because another developer got the lease for the property. He properly should have won that. Under the bidding he lost it. He's on-the-record about this. Some of you will know him. There are many other developers who are losing buildings and seeing massive moves out of their buildings and into buildings owned by people who've paid enough money to the Tories to get those leases. It doesn't make any business sense. You know the tax payers are paying a fortune for these crooked deals. We can't afford these crooked governments.

I've got a couple of other examples that this audience might appreciate. The Export Development Corporation was solicited by Guy Charbonneau, the Speaker of the Senate. He admitted to me on-the-record that he encouraged the Export Development Corporation to give tens of millions of dollars in grants and loans to a company in Quebec to do work in Gabon. Why Gabon? It is the wealthiest country in Africa. It isn't eligible for CETA aid. The president of the country is a corrupt despot who sends his fleets of Mercedes Benzes to Switzerland every six months for their tune-ups. Mr. Mulroney made a special stop-over in Gabon, which no one could understand, to announce the latest bank-rolling with Canadian money. How does that make sense for us as taxpayers? How does it make sense for Mr. Mulroney and John Bosley personally to lobby Canadian bankers at international banks to give tens of millions of dollars in loans to a Toronto construction magnate for a hotel project in Hungary? Mr. Bosley did not disclose that he was an officer of the company that was going to be building the hotel. He was an MP. Mr. Mulroney did not disclose that this same construction magnate here in Toronto had been very generous with both himself and his wife. He personally threatened Don McCutchan, the Canadian member at the European Bank for reconstruction and development. (Many of you know Don. He is now working for the Reichmanns here in Toronto.) He personally threatened Don with the loss of his job if he didn't help to get the loans. Mr. Frank Potter, who was at the Royal Bank for Canada, lost his job. Don McCutchan lost his job. It cost us $700,000 to settle their dismissals. Don McCutchan formally lost his job because he blew the whistle on the President of the EBRD, Jacques Attali. Mt. Attali was a very close friend of Mr. Mulroney. Mr. Mulroney arranged for him to fly in and out of Canada several times on Challenger jets. He took Mr. Attali's advice and fired Don McCutchan. So how does this make good business sense? It doesn't make any sense.

And I think that this is a long miserable story. The legacy of the Mulroney years is that Canadians have lost their faith in government, and they've lost their trust in politicians. Politicians everywhere are paying for what those bozos did.

But there are some heroes in all of this. I'll just mention a few of them. Don McCutchan is a hero. The chef who hasn't been able to get a job since he quit in disgust in 1989 is a hero. Sylvia Stead is a hero—she ran my stories. Suzanne Blais-Grenier. Lyn Coulter, the gutsy little Justice of the Peace in Ottawa who allowed another hero, Glen Kealey, to lay charges against 13 of these people, including Mr. Charbonneau. Peter Pearson, a name out of the past, for many of you. He tried to stand up to John Sirois, the Chairman of Telefilm. Peter Pearson, the film maker, had a hell of a time with the new Chairman of Telefilm Canada. His story is extraordinary. Mike Mitton, the little fraud artist from Montreal, who worked in the heart of an organised crime gang in Montreal for two years to try to help the police bring down a group of corrupt Tories. The police organisation was cut off right in the middle. Jan

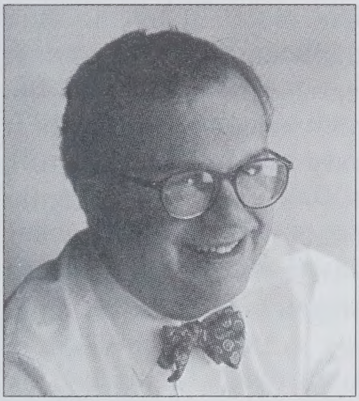
Walter is a hero. She published my book. John Macfarlane. My husband is a hero because he paid for my phone bills.

Is there a happy ending to all this? I know there is. We all know there is. A year ago, the voters of Canada gave us a happy ending and punished these people who did so much harm to our country.

Thank you very much.

The appreciation of the meeting was expressed by Sarah Band, Past President, The Empire Club of Canada.

Bluma Appel, Keith Morrison, Co-Host, Canada AM and Richard Gwyn, Columnist, The Toronto Star.



December 1, 1994

John Fraser

Author and Journalist

PERSONAL RESPONSIBILITY AND THE MEDIA

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Montague Larkin, C.A., Honorary Director, The Empire Club of Canada; The Very Rev. Douglas Stoute, newly appointed Dean, St. James Cathedral; Ramsey Fraser, Chartered Accountant (retired); Prof. Ann Saddlemyer, Professor of English and Drama, University of Toronto and Master, Massey College; John McKellar, Q.C., Chairman, Weir & Foulds, member of the Board, the Canada Council and President, The Arts and Letters Club; Avie Bennett, Chairman and President, McClelland & Stewart; Douglas Todgham, President, Aldido Associates and a Director, The Empire Club of Canada; Chama Mwansa, Grade 13 student, Bloor Collegiate Institute; Dr. Priscilla WinnBarlow, Principal, Havergal College; and Kenneth Whyte, Editor, Saturday Night Magazine.

Introduction by John Campion
Murder and Sex in Latin

In 1813, newspapers were minor instruments, with a limited readership. Most were written for a small group of educated people. The London Times continued to print details of atrocious murders or sex crimes, in Latin. The printing was done manually by hand-run printing presses and the labour was so exhausting that the stoutest constitutions fell a sacrifice to it in a few years.

But the confluence of "hot air" and profit was soon to transform newspapers from by-products of the literary and political set to a new estate in society—The Fourth Estate—a name given to the British Parliamentary Press Gallery by MacCauley in the 1820s.

The transition for journalists and writers of contemporary events, from an upper- and middle-class fringe to a full participant in our society, had its beginnings in technology. In 1813, John Walter of The London Times, bought the first double presses, worked by steam—hence the hot air and the profit.

Like Rupert Murdock in the 1980s, Walter had to avoid the hostility of the hand press operators who were his employees. He made his plans in secret, smuggled the machine parts into Printing House Square and assembled them furtively. After two years of careful preparation, he announced to the hand press operators at 6:00 a.m. on the 29th of November, 1814, almost 180 years ago to the day, that The Times was already printed by steam, that their wages would be paid and that an armed force waited outside to suppress any violence.

From this dramatic beginning, newspapers and journals made their way into the centre stage of Western political, social and intellectual life. By the end of the 1820s, a popular press had emerged from the technical advances of the Industrial Revolution and from the minds and pens of a new group of commentators who took the name, journalists.

An early tendency of journalists was to lean towards radicalism and against the established order—whatever it might be. This tendency became a criteria for legitimacy. Early attempts to defy the press failed. Edmund Burke concluded early in this development that the press would soon become as important as Parliament itself.

As the 1820s turned into the 1830s, journalists had become well-paid in France, Britain and America and had assumed an increasingly important social status. In the French Revolution of the 1830s, journalists even went as far as to form a majority of the French Cabinet.

Journalists today are the direct inheritors of this spectacular growth of the power of print and electronic media; from the shadows of an elite to the centre of the story of everyday news itself.

John Fraser, is an accomplished descendant from the early days of journalists. As a newspaper man, he has written for The Toronto Telegram, The Globe and Mail, The Toronto Star, The New York

Times, The Washington Post, The Christian Science Monitor, Newsweek, The New Republic, Harper's, The Times of London, The Guardian, The Spectator, Paris Match, and on it goes.

He is an author of five books, including two on ballet, a book on the Chinese (which became an international bestseller in eight languages), a book entitled *Telling Tales*, dealing with portraits of leading Canadian personalities, and finally, his most recent book, *Saturday Night Lives* from a collection of his diary columns from his time as editor of Canada's most prestigious magazine, Saturday Night.

His accomplishments and participation elsewhere in the community include fund-raising for Massey College, of which he is now a Senior Resident Fellow, Memorial University and a teacher at St. Clements Anglican Church.

Normally, I would have ended the introduction here. However, it would be unfair not to make a personal note about Mr. Fraser's most recent book. The articles reflect the man. They are eclectic in that they deal with domestic politics, church matters, scholarship, international affairs, art, love, passion, the Fourth Estate, music, China and a host of other topics. They are written with a scintillating mixture of occasional brilliance, wit and whimsy. They tell tales and give gossip, provide insight and reach across disciplines with stories of witches, rogues, angels and ideals.

Who but John Fraser and a few other journalists around the world could, in a story on German reunification, credibly include Hitler, the rights of spring, the Holocaust, Boris Becker's tennis accomplishments and a description of Ermgart K., a friend of Mr. Fraser, whose passions included English literature and German music, all in six pages?

John Fraser

Good afternoon and thank you for this warm welcome. You should know that I am feeling more than unusually nervous today, as I look around this splendid room and spot a few too many familiar faces. If you think it's an easy task to get up in front of your father, your priest, your publisher, your successor, your godson, and even the great lady I have learned to call "Master," then you do not know what naked fear is. Add to this the fact that your president is my pew-mate at church and your immediate past-president is my neighbour at Georgian Bay. And add to that a fair smattering of former school mates, other friends from church, and colleagues from work, and you will appreciate why I begged my wife not to come. A fellow has to be left with at least a few secrets in this world. On the other hand, I'm happy to be surrounded by so many of the people that I love and admire, people who know most of my flaws and yet still turn up to show support.

This gets very close to the only remaining definition I seem to have of what it means to belong—to belong to a community, or, for that matter, to belong to a country. It's something to do with what Samuel Taylor Coleridge wrote nearly two centuries ago. Coleridge saw the network of ordinary personal affections as the strongest single link in human civility and decent behaviour. Such affections, he wrote in his *Lectures on Revealed Religion*, expand "like circles in a lake—the love of our friends, parents, and neighbours leads us to the love of country, to the love of all mankind."

Heaven knows, we all need something to latch on to these days. We are living through a monumental era of transition and, often, brutal change. We are almost beyond surprise or shock at anything that happens. My profession—journalism—has assisted this apathy by knee-jerking us all into a kind of stupefied cynicism. We are now systematically programmed to see and read about terrible atrocities and catastrophic events—at home and all around the world—with hardened hearts. This is partly because we simply can't take in the sheer volume of it all any more. It's also partly because our messengers and information services seem somehow to have lost an ability to evaluate the worth and weight of news. Often we don't know whether we're at a tragedy or at a circus in our front row seats at the glorious global village information theatre. Slaughter in Bosnia and Rwanda, trouble in the Royal Family, corruption in government, Michael Jackson's agony, the Aids plague, the demise of the cod fishery in Newfoundland, cult deaths in Quebec and Switzerland, the unending threats to the unity of Canada—all these things bombard us daily with such relentlessness that they have adversely affected not only our individual and collective ability to act constructively, but even our ability simply to react normally.

Of course there have been good stories too. The collapse of totalitarian communism in the former Soviet Union, the heroic success of Nelson Mandella in South Africa, the emergence of the United Nations as a legitimate player in global affairs—and hey!—even the revival of Saturday Night magazine. But the good and the bad exist today in a kind of morally indifferent bazaar of mindless, unattended priorities and values. If you think this is an exaggeration, go channel hopping and tell me the qualitative sensory difference between the O.J. Simpson trial and *The Young and the Restless*, or between any of the "victim-as-hero" interviews on the Oprah Winfrey Show and the latest *Prime Time* update on the Princess of Wales.

The media, of itself, is not to blame for this state of affairs. In the unfolding drama of *The Fall of the House of Windsor*, for example, it is true that the low end of the print media in Great Britain has always been mischievous, but the current crisis is primarily due to the dysfunctionalism of some of the younger and more restless members of the royal family who actually tried to manipulate the media—always a dangerous game. Generally, the media is too lazy to start trouble, but—boy!—we sure know how to fan the flames.

Consumers are also partly to blame. The media has become so powerful in setting a public agenda of shock, inflated trivia and cynicism precisely because it sells so well. The moment it doesn't sell, let me tell you, changes will come swiftly.

A study of the successful Clinton presidential campaign revealed that relatively small numbers of organised local Clinton supporters around the United States were trained to pounce on newspapers and television stations the moment they perceived their man wasn't getting a fair shake. The strategy took the form of blitzing editors and station managers with irate and time-concentrated telephone calls. Experience taught the Clinton organisers an interesting rule of thumb: on average, it took just eight phone calls to plant all the necessary seeds of doubt and anxiety in an editor's mind—but only five phone calls to fix the station manager. At Saturday Night, I was much braver: I didn't start quaking in my boots till at least 12 letters arrived! My God, if this actually helped to put a bottom feeder like Bill Clinton into the White House, think of the possibilities of constructively adjusting the editorial agenda of all our newspapers and magazines.

Now this leads me to the main point I wanted to make today, which is about personal responsibility and the media—the personal responsibility of both the purveyor and the consumer. It's true that I have been ranting on a bit too much lately about the current state of the media. That's because I think it is proper for the actual practitioners of journalism to scrutinise their own craft openly—especially when you consider how traditionally adept we are at dismissing complaints from outside the business.

In this light, I was really pleased to see the appearance of George Bain's new book—called *Gotcha! How the Media Distort the News*—because it is full of eye-opening specifics, as well as suggestions for sensible, pragmatic correctives. I think George Bain is absolutely right in pointing out that as professionals these days, journalists are often confused about whom exactly they are and what they are supposed to be doing. We've lost our bearings, and at the same time we have embraced so much of the distrust and cynicism we ourselves have helped to engender, that we don't know were to turn for help, or how to find the fortitude to stop playing it safe and following the pack.

In my own career, it was something I didn't bother to think about very much until, by a fluke I guess, I was dispatched to the People's Republic of China in 1977 by the Globe and Mail. That experience touched me to the very core of my being and I hope it will continue to hound me right to the grave. Bear with me as I struggle to explain this a little, because it is at the root of whatever positive understanding I have today of what it means to be a journalist—both personally and for society. That's because China taught me the only way I know how, as an individual journalist, I can do something to improve the situation. I don't have a master plan, or anything like that. I do, however, have a fair knowledge of my craft and a rueful remembrance of some of my own transgressions and misconceptions.

Before I first went to China, I studied fairly diligently to get as good a general knowledge of its people and politics as I could cram into a year's advance notice. Because I wasn't in any way an expert, and wasn't trying to be an expert, I went about this business rather humbly—or at least as humbly as a journalist can ever go about anything. I did, after all, eagerly accept the China posting directly after being a ballet and theatre critic, which suggests, at the very least, a blithe assumption of personal appropriateness.

What I learned from a mind-boggling plethora of media reports and academic studies was simply this: that China had a vastly different culture than our own. That it was the height of arrogance to impose Western cultural values—particularly our selfish cult of individuality—on a people which valued, above all, the collective. I should point out that this was another China than the one we have been observing most recently. My China had only just begun to emerge from the dead hand of Maoist tyranny and little was known of what ordinary Chinese people thought and believed.

When I finally came to live in China, and after Chinese friends took me in hand and re-educated me, I realised—with some pain—that everything I had been taught was exactly wrong. Somehow, we in the West had managed to transform the cultural uniqueness of Chinese civilisation into a denial of Chinese humanity. We did it at both ends of the ideological spectrum. The "right" lambasted the "army of brain-washed blue ants" who were poised to take over all of Asia—and then, presumably, the world. "The left"—in an equally racist perception—rejoiced in the horrible new Maoist world order in which "collective rights" superseded individual selfishness.

Even after I was plunked down on the hard roads of China, it took some time for me to figure all this out. I had my own cultural and professional myopia to overcome. It is so easy, for example, to fall into the vortex of the Chinese statistical nightmare that you can't see any facet of life in China without adding nine zeroes to everything. Chairman Mao once said that 95 per cent of the Chinese people were loyal patriots, even if they weren't members of the Chinese Communist Party. Only five per cent were bad, he added, and they required what he euphemistically called "supervision by the masses." When I first read that statement, I thought to myself: "This is jolly decent of the Great Helmsman." Then I did my arithmetic and realised that he had just provided the entire rationale for casting 50 million souls into the abyss of prison, labour camps, and a lifetime of grotesque victimisation.

In China, I had to learn the discipline of being a witness, which is qualitatively different from being an observer or commentator. From this, I came to understand that for every generally accepted rule in the affairs of men and women, there were invariably exceptions of such importance that they illuminated the human condition with greater intensity—and I would say truth—than all the world's punditry put together. Often enough such exceptions were the main story, when the generally perceived main story was merely what we call a "side-bar."

And that's simply the beginning of a process that never stops. It's what Coleridge was talking about, and his definition of the interlocked connections between all people is as good a definition of the presiding prejudice a journalist should operate under as any. It is not a recipe for objectivity. It is not an alternative to probing and hard research. It probably won't protect you from some deceivers and charlatans. It may not even save you from a libel suit from my friend and former boss, Conrad Black.

On the other hand, if journalists began to cover news and write features not just for their 500,000 "demographically defined consumers" or their 3.2-million mass audience, or however many readers, but instead specifically wrote their stories for their fathers and mothers, for their spouses, for their children, for their friends and close colleagues, then they might well start something very close to a revolution.

I fear this will all sound simple-minded or naive, but my own experience has taught me that if you write directly to the people you love and respect and depend upon, then honesty, common sense and decency generally prevail. Curiously and pertinently, it has also been my experience that at the same time you are actually reaching out to the vast majority of your unknown readers. Great wisdom, like Coleridge's, is never complicated. It's just a challenge to live up to. There are rewards for the effort, however—like being able to look at yourself in the mirror in the morning.

I think, perhaps, I'd better sign off here because I'm in danger of trying to usurp the Dean of Toronto's new pulpit, or an even worse danger. One of my favourite anecdotes from the long history of Saturday Night concerns the legendary B.K. Sandwell, the fifth editor of the magazine. After he had delivered what he himself described as "a masterly overview of the Canadian political agenda" to the Montreal chapter of the Canadian Club in 1936, an admirer came gushing up to him at the end.

"Oh, Mr. Sandwell," she said, "I want to thank you very much for such a superfluous speech." I imagine that Sandwell must have had a wry smile on his face when he answered:

"Well, I hope you didn't find any of it extraneous."

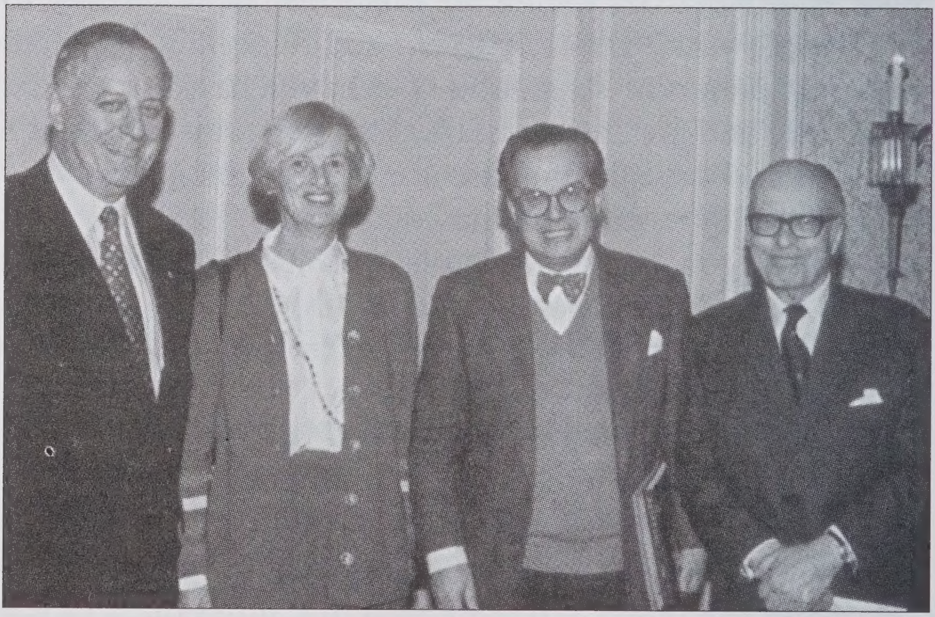
"Not at all," she replied. "You seemed very relaxed."

She went on to ask if the speech would be published. Sandwell grew sombre. "Well, I hope only posthumously." he said.

"Oh good," she said. "Then we can all read it soon."

As a superfluous, extraneous and quite possibly posthumous editor, I want to thank you again for this very kind reception. Thank you very much.

The appreciation of the meeting was expressed by Douglas Todgham, President, Aldido Associates and a Director, The Empire Club of Canada.



Avie Bennett, Chairman and President, McClelland & Stewart, Priscilla Winn Barlow, Principal, Havergal College, John Fraser and Ramsay Fraser.

Alanna Quinn, Robert Gale, Partner, Blake Cassels & Graydon, The Very Rev. Douglas Stoute, Dean of Cathedral, John Fraser, Joanna Campion, The Rev. Richard Gidney, John A. Campion, June Dyer, David Ringer, Tom Fitches and John Ringer.

September 8, 1994

Barbara Smith

International Director-Strategic Management,
Burson-Marsteller Paris

PERCEPTION MANAGEMENT

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Bart Mindszenthy, APR, Partner, Mindszenthy & Roberts Communications Counsel and a Director, The Empire Club of Canada; Daniel Plouffe, President, Firstcom Cato Johnson; Gail Morrell, Vice-President, Corporate Communications, CTV Television Network Ltd.; Garry Payne, Executive Vice-President, Young & Rubicam; Sheila Wells Rathke, CEO, Burson-Marsteller Canada; Marcia McClung, President, Applause Communications and a Director, The Empire Club of Canada; The Rev. Kim Beard, Rector, St. Bede and St. Chrispin Anglican Churches; and W. Wesley DeShane, Vice-President, Chief Financial Officer and Secretary, Canada Malting.

Introduction by John Campion
Marshall McCluhan Takes Up Photo Engraving

Toward the end of the 1820s, the world moved a decisive stage nearer to the democratic age. This was not a result of one drama—the storming of The Bastille. It was brought about by a combination of forces and factors—the growth of literacy, the huge increase in the number and circulation of newspapers, the rise in population and incomes, the spread of technology and industry and the diffusion of competing ideas. By this time, organised society had existed for 8,000 years: democracy had been a form of government in some places for some time, but by 1820, the entrance of every man and within 100 years, every man and every woman, onto the public stage of Western society and later the world, was unmistakable; culminating in democracy being the way in which modern society would be ordered.

Over the intervening 175 years, the forces which shaped the democratic age in the beginning have become even more pervasive and powerful. Let me deal with two of those forces.

The first was photo engraving at the turn of the century. It began the graphic revolution. That revolution, starting with photo engraving, moving to motion pictures, television and finally to the electronic age, has, as Marshall McCluhan has said, seduced us from the literate and private point of view to the complex and inclusive world of the group icon. Instead of presenting a private argument, the graphic revolution offers a way of life that is for everybody or nobody.

The second of these forces is consumerism which has, in our Western society, not only made mass consumption a spectacular force, but has spawned the vast industry of advertising and later, public relations.

Public relations has now reached beyond the mere sale of products to the development and control of perceptions in all aspects of our political, social and economic life. The work of the advertising and public relations industry has been a motor force in the extraordinary material well-being of Western society, yet it carries with it a determined uneasiness.

Public relations, in its most pervasive form, seems to aim, in the democratic age; again, in Marshall McCluhan's words, at the goal of a programmed harmony among all human impulses, aspirations and endeavors. Its goal is to measure our collective opinions and desires, to create unconscious messages, to render those opinions and desires universal, and to cause every person to act accordingly.

We can appreciate superficially the power of public relations; we like its benefits; but we resent its intrusion on our individual and critical judgment, rendering, we fear, our uniqueness at best irrelevant or worse, the subject of a deep and insidious manipulation.

Media, advertising and persuasion through the manipulation and measurement of public opinion pervade our democratic society. Whether it is for good or evil, such tools are now part of our everyday life and will remain an integral part of the political and economic life of the Western world.

Barbara Smith is currently Executive Vice-President of Burson-Marsteller, headquartered in Paris, and a member of the Board of Directors of that company's international group. She is one of the architects of perception management for her company and has led the strategic development work for some of the leading companies in the United States and Europe.

Ms Smith has been retained by the French Ministry of Trade, British Telecom and Citibank, among many other clients. She has a Bachelor of Arts degree in speech education and theatre arts and a Master of Arts degree in communications. Please welcome Barbara Smith.

Barbara Smith

Thank you, John. Thank you, all of you. I am delighted to be here. I apologise for Harold's absence. I have had the pleasure of working for Harold for over 20 years, so I feel very close to understanding him regarding the development of our Company and our business. Because of that, I'm very proud to be able to represent him here today. I have to warn you, however, that I will probably be more controversial or more shocking than Harold might have been, because I take a slightly different view of where we are today and where we are going within our business, although Harold would no doubt agree with many of the things I am going to talk about. I think I present them in a slightly more provocative way. In fact, I am going to say something fairly shocking, for somebody who's been in the business of public relations and communications for over 20 years: I believe that more money and time are wasted on communications than on any other function in the business world.

Nearly all companies have some form of communications, whether advertising or public relations or some other form of getting their messages out. But I think an awful lot of it is wasted. They have communications departments with vague objectives such as improved corporate image. They hire agencies like mine and they ask them to increase public awareness or communicate a certain position. Most of that money is wasted. So what I am thinking about is that communications programmes with such objectives—the indefinite objectives of increasing awareness and building public opinion—really don't reach audiences. And if they do, they don't influence the thinking or the actions of those audiences.

There is of course a lot of feel-good communications—people who are talking because somebody wants to feel good. Usually the people who are feeling good are the communicators or the managers of communications, not the target audiences. Success is too often measured in terms of media coverage or clips, or the attractiveness of the corporate annual report, but in reality those clips and the report just enter into the general cacophony, but really signify nothing.

The trends of the past several years tell us that it is time to get back to basics; to stop wasting money. Every business must improve its performance and every business activity must pay off in some way. Communications must be held up to the same clear and exacting standard. It must create business results.

Let's really go back to basics, and start by asking: "Why do we communicate at all?" It gets down to the role of perception, in creating or blocking business success. You all know that perceptions can be more powerful than reality. Think about branding in marketing terms. The power of a brand is the power of perceptions. Perceptions differentiate a product and make it relevant to the consumer, allowing for higher prices and higher margins. In the financial marketplace, the value of a stock can be driven up or down by expectations for the future. So is it a powerful idea that drives the company, or is it the perception of a powerful idea that drives the company? In government relations and public affairs, companies often try to change the minds of government officials about an issue or a proposal. The argument is seldom won on its own merits. It is usually won by creating the perception that the decision-maker's own self interest is best served by one particular outcome.

Perceptions, then, are real. They create or diminish value. They generate or solve problems. They're an essential component in the operation of a business and its success. Business success requires changes in people's behaviour—to buy the product, to recommend the stock, to work efficiently, to pass or block a regulation—and people's perceptions of their own needs govern their behaviour. One must shape and understand those perceptions in order to get the behaviour desired and required in order to be successful in business. And communication then becomes the business manager's primary tool for managing perceptions to motivate the right behaviours in the right audiences.

In a sense, this is understood very well in marketing. If you want the target audience to buy something, you must create a need and manage the audience's perception so that they feel that need and believe that the product will fulfill it. There's a difference here between manipulation (creating something that people really don't need and creating an impression in their minds that they need it) and giving people both the opportunity to express a need and the best way to fulfill that need through products, services or political opinions. So it is very clearly to the benefit of the consumer, as well as to the benefit of the business, to have perceptions managed more effectively.

Such disciplined thinking has long been absent in the public relations field, unfortunately. What happens all too often in public relations and in other areas of communications is that the objectives of a programme to enhance an image, increase awareness or inform and educate an audience about some issue or product become unfocussed and very misleading. They take the eye off the real need to change perceptions which will motivate behaviours and ultimately achieve specific business results. Politicians do this by instinct, particularly when the desired behaviour is a vote. They know that every outcome requires someone somewhere to do something. Communications are there to manage that person's perception so that they behave in the desired way. Communications which are not linked to a specific business result are probably a waste of money.

This conflict of communications has become even more critical in recent years because of several important trends. First of all, as you are all too aware, business has never been more competitive. All businesses, whether product or service, are facing greater competition: global competition, competition from niche players who fill needs that you never thought people would express before. In such an environment one cannot waste resources. Everything must create business value by lowering costs, increasing sales, improving the value of the stock price, or gaining greater productivity from employees. And when no one can afford to waste money on wasteful communications, no one can afford to waste the power of communications either. Gone are the days when anyone dared to think that communications is a secondary function—something that anyone can do; something that we don't really bother to do unless of course we have something that we want to say. Communications is the means to manage perceptions, to create behaviours and to create business success.

When you see it this way, it is remarkable that companies don't have a specific function for perception management. We manage monetary assets, people assets and technological assets with systems and precision. We are rigorous about measuring the results of our efforts in those areas, and yet we fail to have a specific function that manages the perceptual assets of a company or a product. As if perceptions don't have any value! Ask any executive to analyse the value of his company's shares. In almost every case, the logical explanation which includes price earnings, ratios, dividend policies and returns on investments only makes up about 60 to 70 per cent of the market valuation. The rest has to do with perceptions: perceptions of management quality, perceptions of industry outlook, perceptions of the quality of a company's strategy, perceptions of brand value. And yet those perceptions are seldom systematically managed.

They may be managed by an investor relations person or function, a role which often tends to be reactive and fact-driven. This is not a criticism of people who are included in investor relations, but of the way it has always been practised. Seldom is the investor relations responsibility approached in perception management terms. Who is the audience? What is the current mind-set? What do they think now about this company or this product? Who has the greatest influence over these people and what is the best selling proposition? What is the best message that I can offer to help them understand my point of view? And finally, how do I reach them with the power and the impact that gets them to want to buy or to recommend buying my stock? How do I increase the perceptual asset which is critical to the valuation of the share? In this day and age, companies cannot afford not to manage perceptions of these critical audiences. It should be part of their competitive strategies. It should be part of their business strategies. I'm not talking about communicating. I'm talking about perception management—using systematic tools and approaches to ensure that the perceptions of critical audiences are influenced in precise and powerful ways.

There's another important trend that is driving this view of communications and that's technology. Technology has changed, is changing, and will continue to change what people hear and see, and the styles and messages to which they respond. Changing perceptions require powerful combinations of messages, messengers and media. The continuous barrage of sights and sounds which make up today's communications environment is deafening. Audiences are electronically bombarded with a multitude of increasingly personalised, individualised, interactive and actually very impressive messages. And television has created a communications environment of great intimacy. People expect to be there at every event. They see everything close-up these days. Television has the force to change how we communicate. People want information in quick digestible bits and bites of information, rather than long analytical explanations. We know that around the corner is even more change—more intimacy, more interactivity and more impact, all in one.

Persuading people today, and managing their perceptions, requires an understanding of this technology. We must alter the media we use to reach key audiences. Even our traditional media, the newspapers, television and magazines are changing how they operate. Technology has changed the world of media and news.

All of this relates to the third trend that I am going to talk about which is also driving this more results-oriented view of communications. The cacophony I mentioned before is causing a massive tuning-out of audiences. They are more cynical and are resisting traditional ideas from traditional sources. So credibility becomes critical. Impact becomes critical. The truth becomes extremely critical. Psychology tells us that if you want to influence people's behaviour, you have to think in terms of their emotions, not just their reason. It's not just what you say, but who says it and how they say it. Tunes and symbols can be more important than substance. Or, as the scientists say, reason persuades but emotion motivates. In today's world, one must create motivating communications which have emotional relevance to the listeners one wants to reach.

The job of the public relations professional is tougher than ever because of this. Effectiveness can no longer be measured on the basis of the number of clips we are able to deliver or the number of minutes of television or radio time that have carried our message. We must be measured on our ability to make an impact. Good communications can no longer be process-oriented. It must be outcome-oriented.

What perception and what audience must change? That by itself requires a level of sophistication, strategy and execution which is rare in the field of communications. But it doesn't have to be rare. There is a lot of good science available about how perceptions are created, how they influence behaviour and how one could change them. There is some good experience too. Good professional communicators have understood and have been influencing perceptions for years.

The critical need now is to start to hold the communicators and the communications accountable for specific results, for influencing behaviour of targetted audiences and not just for making someone feel good. Communications can no longer exist in a vacuum in a company. It must become perception management and be seen to be a critical aspect of business success. Otherwise, it is just a waste of money.

These ideas from my profession are extremely challenging. They both frighten and excite us. It's frightening to think that we too must become accountable, like other functions within the business enterprise. We have to become outcome-oriented, define in advance the business result to be achieved and make sure that we achieve it. These ideas excite my company particularly. We can see that the change from communicators to managers of perceptions requires that we become more systematic in our work, more reliant on the science and experience of perceptual change and that we act more professionally towards our clients and their business interests. The evolution of communications towards perception management will make us more precise in what we do, and, we hope and believe, more valuable to our clients. It also starts to put the communications function where it belongs—at the heart of business management.

The power and importance of perceptions can no longer be ignored by managers who seek success in this competitive and noisy world. Perceptions are critical. They must be managed. This understanding can finally change communications from a necessary cost of doing business into a truly valuable asset. I hope some of you will have the chance afterwards to take the time to share with me your thoughts about your perceptions of this change and where we are going. If there are questions I would be happy to answer them later. I thank you for your attention and your interest in this subject.

The appreciation of the meeting was expressed by Bart Mindszenthy, APR, Partner, Mindszenthy & Roberts Communications Counsel and a Director, The Empire Club of Canada.

Bart Mindszenthy and Barbara Smith.

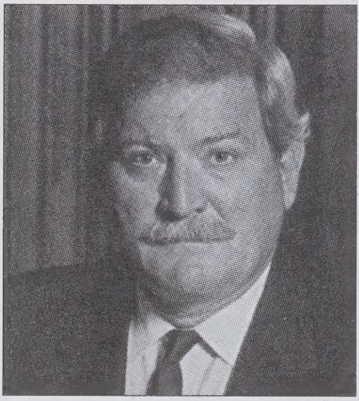
Sarah Band, Past President, The Empire Club of Canada, Mrs. Charest, Clayton Ruby, Lawyer, Ruby & Edwardh and Pamela Wallin, Co-Host, CBC Prime Time News.

Paul Martin, Gordon Steele, Archivist, The Empire Club of Canada and Marie Maloney.

PART III—LAW AND SOCIETY

Each great transformation in the history of Western philosophy has been initiated by a trial and a martyrdom. Socrates, Christ and Gallileo each represent such a martyrdom and philosophical watershed. Behind every trial stands the concept of justice, a judge and presenter of the case. These notions are not static and in a time of great economic, philosophical and technological change, our conceptions of judge, lawyer and justice come under review. The tradition of the legal profession is to make change in a cautious and deliberate manner. From Job to Morgenthaler, from individual cases to great legislation, justice has pervaded our most noble instincts.

The Chief Justice of Canada, the Prime Minister of Thailand (a civil rights lawyer), the Dean of Canada's largest law school, came to express their views on the opportunities and problems affecting the judge, the minister and the lawyer in our society.



April 13, 1995

The Rt. Hon. Antonio Lamer

Chief Justice of Canada

THE ROLE OF JUDGES

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Mary Lou Benotto, Partner, Chappell, Bushell, Stewart and a Director, The Empire Club of Canada; Bryan Finlay, Q.C., Partner Weir & Foulds; François Rolland, Partner, Martineau Walker; Jane Pepino, Q.C., Partner, Aird & Berlis; The Hon. David Smith, P.C., Q.C., Chairman, Fraser & Beatty; Dennis O'Connor, Q.C., Partner, Borden & Elliot; The Hon. Mr. Justice Robert Sharpe, former Dean of University of Toronto Law School, now Justice of the Ontario Court (General Division); The Hon. Roy McMurtry, Q.C., Chief Justice of Ontario Court of Justice; His Eminence G. Emmett Cardinal Carter, C.C., Archbishop Emeritus of Toronto; Julie Hannaford, Partner, Borden & Elliot and 1st Vice-President, The Empire Club of Canada; Paul Lamek, Q.C., Partner, Genest Murray; Earl Cherniak, Q.C., Partner, Lerner & Associates; The Hon. Mr. Justice D. Carruthers, Ontario Court (General Division); The Hon. Madam Justice Kathy Feldman, Ontario Court (General Division); and The Hon John Morden, Associate Chief Justice of Ontario.

Introduction by John Campion
Job's Cry to Gallileo

In the cool, wet desert dawn of a middle-Eastern morning, a man lay dying in pain, suffering from an inglorious and unknown malady. The pathways for a cure were clouded in a mist of inadequate science. He endured his incapacity without comfort. He felt that life and his God had abandoned him. He called out:

"Let me but call a witness in my defence.
Let the Almighty state his case against me.
If my accuser had written out his indictment
I would not keep silence and remain indoors."

So cried a Jewish man named Job in the pre-dawn of Western culture. In his extremis, he had chosen a legal metaphor to express his cry for help. At the centre of this very personal, and arguably commonplace but heroic experience, the notion of a charge, a trial and necessarily a judge, stands central in our culture.

Similarly, each great epochal transformation in the history of the Western mind appears to have been initiated by a kind of archetypal sacrifice. As if to consecrate the birth of a fundamental new cultural vision, in each case, a symbolically resonant trial and martyrdom of some sort was suffered by its central prophet. Thus: the trial and execution of Socrates at the birth of the classical Greek mind, the trial and crucifixion of Christ at the birth of Christianity and the trial and condemnation of Gallileo at the birth of modern science.

In each of these four grand events, there was fundamental to it, a trial and a judge.

In our age and time, major issues have been played out in a courtroom and before a judge:

1. the role and dignity of women in the trial of Queen Caroline in the 1820s;
2. cultural and political prejudice and expediency in the trial of Alfred Dreyfuss;
3. the enduring Canadian theme of ethnic and linguistic differences in the trial of Louis Riel;
4. the debate between accepted faith and the philosophical pre-eminence of modern science in the Scopes trial in the United States in the 1920s;
5. the scourge of ethnocentric dictatorship and violence at the trials at Nuremburg, in Rwanda and elsewhere in the world;
6. the remnants of Colonial oppression in the trial of Nelson Mandella; and
7. the abortion debate in the trial of Dr. Henry Morgenthaler.

Each of these passionate courtroom events illustrates the enduring significance of the trial and the seemingly mysterious but broadly accepted role of the judge in our society.

Many Canadian judges are not known to the broad public. They and their predecessor judges have laboured somewhat anonymously in the service of the public, imposing the rule of law on a case-by-case basis. Accepted wisdom would have that this key role of the judge was unchanged from Socrates to Morgenthaler.

And yet, we know that change is upon us. The harbinger of change may be the O.J. Simpson trial. Judge Lance Ito no longer has the benefit of anonymity. He is playing out his role and exposing the entire judicial system to the unforgiving and intimate scrutiny of a soap opera and tragedy in full public view. The mystery is disappearing. The process seems excessive and flawed. The trial is less about guilt and innocence and more about racial politics. This trial may be the beginning of a new popular cultural vision brought on by technology.

Whatever the long-term significance of the Simpson trial, it raises to renewed prominence, the role of the trial and the judge in our society.

The Chief Justice of Canada represents the best of the old traditions of a sober and intellectual independence. His training was carefully chosen and extensive. He graduated from the University of Montréal in 1956. As a lawyer, he practised and taught criminal law. He was active in the governance of the profession, is a founder of the Association of Defence Attorneys for Quebec, National Chairman of the Criminal Justice Section of The Canadian Bar Association and a Member of the Disciplinary Board of the Quebec Bar.

He was appointed to the Superior Court in the Queen's Bench of the Province of Quebec in 1969; Vice-Chairman of The Law Reform Commission of Canada in 1971; member of the Board of Directors of Canadian Human Rights Foundation in 1974; Chairman of The Law Reform Commission of Canada in 1976; the Court of Appeal of Quebec in 1978; the Supreme Court of Canada in 1980 and Chief Justice of Canada in 1990.

He is a member of the Privy Council of Canada, Deputy Governor General, Chairman of the Canadian Judicial Council, Chairman of the Advisory Council of the Order of Canada and has received distinguished awards for his contributions to society, including an Honorary Fellow of the American College of Trial Lawyers and Honorary Doctorates from the Universities of Moncton, Ottawa, Montréal and Toronto. It is with great respect and pleasure, I ask you to welcome The Rt. Honourable Antonio Lamar.

Antonio Lamer

Mr. Chairman, distinguished guests, I am pleased to be able to take part in your series on Law and Society. I believe that a skilled, dedicated and independent judiciary is a central element in a healthy democracy. I also believe that the judicial branch of government is probably the least understood. Although I think there is plenty of evidence to support that conclusion, one recent study perhaps clinches it. The study found that, notwithstanding the similarity between my ceremonial attire and that of Santa Claus, more Canadians could name Santa's reindeer than could name the 9 judges of the Supreme Court. I congratulate you for providing opportunities in this series to promote better knowledge and understanding of our judicial system and indeed of our system of justice more generally.

I am proud of our judiciary and of our system of justice. This is not a pride based on ignorance of the challenges or of the problems. I am not here to give you some utopian view expressed in platitudes. I am here to speak about the importance of the role of judges, to give you very briefly the basis for my pride, and to share with you very candidly some of the challenges and problems which confront us.

I approach my task with optimism and confidence. I find it very encouraging and comforting that the Canadian public has great interest in the courts and a strong commitment to public officials conducting themselves properly and legally. The public is intolerant of injustice—consider the reaction to wrongful conviction. The public wants and expects its officials to act within the law and to be treated like everyone else when they do not. The conduct of everyone working in public institutions is scrutinised according to very high expectations. In short, the public wants a just system of government based on the rule of law.

Why do I find this encouraging? The answer is simple, but important to our society. The Courts exist for the public. Their ultimate purpose is to protect and vindicate everyone's rights and freedoms in a system based on the rule of law. The public interest and expectation that I have just described is a sign that the rule of law is a vibrant force in the community; that the desire for justice according to law is a strong public aspiration. It is in the spirit of our people. This is good news, because that sort of interest and aspiration is essential to maintain the rule of law—law applicable to every person, regardless of status. This, in turn, is essential to the preservation of democracy itself. As Chief Justice Dubbin put it so well recently:

"The rule of law is not one good amongst many, but is indispensable to a free and democratic society."

I believe that public interest in the courts is increasing. This is a by-product, probably the inevitable by-product, of the way that the role and responsibility of the courts have evolved over the last 26 years that I have been a judge.

Unlike England, we have never had a pure system of parliamentary supremacy in Canada. Our federal system makes that impossible. Where, as in Canada, the power of Parliament and of the legislatures is limited by assigning certain matters to one and certain to the other, there has to be a way of obtaining an authoritative determination of what those limits are. In Canada, that role has been assigned to the Courts. In other words, our courts for a long time have been in the business of ruling on the legality of laws passed by our elected representatives.

Then, in 1982, came the Charter of Rights and Freedoms. As a result, the responsibility of the Courts in this area was greatly expanded. The Charter means that courts not only have to decide whether the federal division of powers has been respected; it requires legislation to be tested against broadly worded guarantees of fundamental rights. The result is that Courts are required to adjudicate a new range of debates about fundamental questions: What is equality before the law? Is a particular law demonstrably justified in a free and democratic society? These are Charter questions which courts must answer. And the answers are not in the back of the book!

Given these new responsibilities, enhanced public interest is not at all surprising. It is also not surprising that the nature of these new responsibilities is not well understood. Some people speak as if these new responsibilities under the Charter are simply the instruments of judges seeking more power. Nothing could be further from the truth. The judiciary did not seek these responsibilities and we certainly did not assign them to ourselves. They were given to, indeed imposed upon, the judiciary by the politicians. It was a job given to us, either deliberately or by default, by the democratic process. As for the suggestion that judges intrude into the legislative sphere, the truth is that many of the toughest issues we have had to deal with have been left to us by the democratic process. The legislature can duck them. We can't. Think of abortion, euthanasia, same sex benefits, to name a few. Our job is to decide the cases before us properly, to the best of our abilities. We can't say we are too busy with other things or that the issue is too politically sensitive or set up a royal commission. We do our duty and decide. How doing this is somehow undemocratic, as some claim, is, quite frankly, beyond me. Perhaps part of the explanation is that in 1980 the public debate was focused on patriation, the amending formula and the guaranteeing of rights in the Charter. The inevitable re-adjustment of the relationship between courts and legislatures was not at the centre of debate. I was on the Supreme Court at the time and was both surprised and concerned that there was so little apparent consideration given to this shift of responsibilities.

The decisions of judges are the subject of considerable public attention. This is as it should be. Sometimes the attention is well informed and sometimes not. From the public perspective, the courts do not just decide a case. The case itself often serves another public purpose. It provides a platform to draw attention to important questions of public policy—an occasion to debate an issue. The questions the court was called upon to answer get lost. Some people are quite ready to comment on court decisions without either reading or understanding them. More significantly, perhaps, the whole legal context of the dispute is missing. Sometimes the case becomes a vehicle for publicity as much as a dispute about the law.

What must not be forgotten is that the judge's fundamental duty is to decide the questions before the court impartially, independently and according to law. A judge cannot approach a case as a legislature would. The scope of the judge's decision is defined by the question submitted by the parties. The answer which the judge gives is constrained and dictated by the legal context in which the dispute arises. This is an element that so often is lacking in public discussion of judicial decisions. Consider, for example, the issue of assisted suicide. One often hears it said that a majority of the Supreme Court is opposed to assisted suicide, as a result of the Rodriguez decision. But that way of describing the case misses the whole legal context in which the Court was called upon to rule. The legal issue was whether Parliament may, under our Constitution, make assisting suicide a crime. There was no suggestion that Parliament was prevented from making the opposite decision. That is what the Court had to decide, not whether assisted suicide was a social good. The difference is more than a semantic quibble; it goes to a point of fundamental importance about the role of judges.

A second aspect of the role of the judge is closely linked to the first. A judge's obligation is to decide, independently and impartially, according to his or her best judgment, what the law requires. The nature of that duty makes its exercise likely to attract controversy. This is especially true when the dispute involves constitutional guarantees of fundamental rights. The basic reason for such guarantees is that the popular will cannot always be relied on to protect the rights in question. In other words, the protection of these rights may sometimes be unpopular in the short term. This is not to say that judges are always right, or that they should try to be unpopular, or even that the unpopular decision is always right. But it is important to remember that judges are not in the business of making decisions with the objective of pleasing as many people as possible. Judges are in the business of deciding difficult questions according to law, whether it pleases or not. A high level of public interest, or even deliberate pressure tactics, must not distract a judge from this fundamental duty.

There is a difference—an important difference—between having public confidence over the long term and being popular. Some judicial decisions are inevitably unpopular; that does not mean they are wrong or that the jury did not do his or her duty. Of course, public interest in the courts, debate about what is just, and how well courts do their job, are all important in a democracy. But we must remember that the role of the judge is to decide, to give judgment, and to be faithful to the rule of law—not to make propaganda.

This is why honest and accurate coverage of the decisions of courts is essential. And that can be achieved only if adequate resources are made available to cover the courts and if those who do the covering are competent and fair. As in any other area, specialisation and experience are also important. Reporters need a chance to learn how to cover justice issues—a process that takes time and the opportunity to cover the area in depth. There must also be enough space and time devoted to these matters so that reports that start out as accurate and fair are not published in so truncated a form that they lose those qualities.

Courts increasingly recognise that they need to be of more help to journalists. I have raised with my colleagues on the Canadian Judicial Council the question whether there are not more ways in which the judiciary collectively could be helpful, perhaps by offering courses or seminars for journalists. The Canadian Journalism Foundation has some promising initiatives under way, and I believe we should be supportive of serious efforts to improve the quality and quantity of reporting about the work of the courts. Specialised fellowships are another idea and it may be that the legal profession—law firms, corporate law departments and so on—can be of help.

So I welcome public interest in the courts and in what judges do, even if sometimes that interest is not well-informed or well-directed. It is nonetheless a true sign of health in a democracy. What better news could there be?

All of this means that the quality of the judiciary is extremely important, as are our efforts to maintain and enhance that quality.

Of course, one of the most important factors is the process of appointment. That is a matter for the elected representatives, not for the judges, but no discussion of quality of the judiciary can start anywhere else. This fundamental point should never be forgotten.

After appointment, the two areas of judicial responsibility are conduct and continuing education. With respect to conduct, I can speak to you with intimate knowledge of the federally appointed judiciary, because I preside over the Canadian Judicial Council, which has the statutory responsibility to receive complaints about federally appointed judges. I believe we have an excellent complaints record. With about 1000 federally appointed judges, we get only a handful of complaints alleging misconduct each year. Of course, we get lots complaints from the losing parties that the judge must have been pretty stupid because they didn't win. But real misconduct is very rare.

This is not say our process is perfect. We have commissioned a major study of conduct process and many other issues, which study we will receive late this summer. When we receive it, we will examine its recommendations systematically, issue by issue, to determine what might improve our conduct process and what might not. We are also developing, for the first time in Canada, a Code of Conduct for federally appointed judges. No doubt these are important and useful steps, and there are valuable changes to be made. But that should not detract from the core message that the conduct of our judges is exceptionally good.

There are also important developments in continuing judicial education—the second key area to ensure high standards among those who have been appointed to the bench. It is obviously crucial that judges are able to stay up-to-date and improve their skills. There has been great emphasis on training in equality issues, particularly pertaining to race and gender. When I became a judge in 1969, there was nothing like this. As one senior colleague put it, all a new judge got was a Bible and a pencil. Now every newly appointed judge gets materials and videos on family violence and race relations, and has access to training opportunities we could not even have dreamt of 25 years ago.

To conclude, let me touch on one of the greatest challenges facing us. I refer, of course, to the combined effects of pressure of work, delays and the expense of litigation. There is a great deal of effort being expended to try to address these problems. But I believe that much more public concern is essential for the discovery of the solutions to many of our problems.

Since I became Chief Justice in 1990, I have been inciting the legal community to wage war on delay in the Courts. While there is a long way to go, a lot has been accomplished. Delays have been reduced in many courts across Canada and innovative programmes have been put in place to provide quicker and more economical dispute resolution. All of that said, there are still some tremendous problems.

Like so many other areas in the public sector, resources are scarce and the workload is increasing. Public expectations of service are not always matched by the commitment of public funds. Delay and expense in litigation are not under the sole, or even the primary, control of the judiciary, but I can tell you the judiciary is doing everything it can to try to improve the situation. These efforts have been successful in many areas.

I will give just a couple of examples. On the civil side, there are success stories with pre-trial procedures. Pre-trial conferences have been found to contribute significantly both to the settlement of actions and to the narrowing of issues so that precious court time is saved. The use of summary trials and mini-trials also helps considerably to reduce the time it takes to get a case heard and decided. The success of these techniques has required changes to the Rules of Court, training for judges in pre-trial techniques and genuine desire on the part of lawyers and their clients to get the case resolved. On the criminal side, one example of good news is in the provincial courts, that is, the courts presided by judges appointed by the provinces. I meet with representatives of all the provincially appointed Chief Judges each year. At our meeting this year, I was happy to learn that in most provincial courts, delay is well within acceptable levels and in several courts there is no undue delay. In several courts, the situation has improved markedly over the last few years.

Public interest and concern here are vital to ensure that adequate tools are given to the courts to allow them to function effectively. There are a lot of dedicated people trying to make things better. Too often they are not getting the tools they need. More resources would not solve all of our problems, but they would solve some of them. Public expectations are very high—in some cases much higher than the level of resources devoted to the task. As Chief Justice McMurtry said recently, quoting Chief Justice McRuer, the administration of justice is too often the poor cousin of government. The justice system is like a fire station: It cannot decide, simply because the resources are not there, to answer only every second call. The system must cope as best it can. We must use scarce resources wisely. But I also hope that our commitment of resources matches our expectations. This hope is more likely to be realised when the public interest in their courts and their justice system is strong and well-informed.

I also believe that we need to assess aspects of our system at a more systemic and institutional level. Some trials are so long that one wonders whether the process will not collapse under its own weight. How can society expect jurors to devote months of their lives to jury service on very long cases? How can a jury absorb and apply instructions on the law that go on for days? Does our thoroughness, at times, place substantial justice out of reach? Of course, the process must be fair, but so must be the result. Do we run the risk, at times, of concentrating on micro justice so that we lose sight of macro justice?

I think our greatest challenge over the next several years will be to cope with complexity and prolixity in legal proceedings. We must find ways to retain a fair process, but in the context of a process that can achieve practical results in a reasonable time and at reasonable expense. If ways to do this cannot be found, I fear that our legal system will become simply irrelevant for most purposes. Moreover, if we do not rise to the challenge of complexity and prolixity, will we not be forced to re-examine fundamentally our trial process? May we not, for example, reach the point at which some might question, in a way probably somewhat appealing to the general public, whether the jury trial demands too much of our fellow citizens who must serve on the jury? Might not this, in turn, lead us to conclude that, in our free and democratic society, some limitation is not only necessary, but justified? Of course, I would rather see us adapt and reform our process rather than ration it. But fundamental to achieving that goal will be keeping the process manageable and practical. To meet this challenge will require tremendous imagination and great public interest.

My concluding thought is simply this: Our system faces important challenges. Well-informed public interest in the justice system is not only essential for a strong democracy, but the necessary starting point for needed reforms.

The appreciation of the meeting was expressed by The Hon. Mr. Justice Robert Sharpe, former Dean of University of Toronto Law School, now Justice of the Ontario Court (General Division).

October 4, 1994

Joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

His Excellency Chuan Leekpai

Prime Minister of Thailand

INVESTMENT OPPORTUNITIES IN THAILAND

Chairman: **Herbert Phillipps Jr.**
President, The Canadian Club of Toronto

Head Table Guests

Henry H. N. Hung, Managing Director, Shiu Pong Group Limited and Chairman, Thailand Business Association of Canada; His Excellency Sqn. Ldr. Prasong Soonsiri, Minister of Foreign Affairs for Thailand; His Excellency Manfred von Nostitz, Ambassador of Canada to Thailand; Hon. Robert Huget, M.P.P., Ontario Minister responsible for International Trade; His Excellency Chaiyot Sasomsub, Deputy Minister of Commerce for Thailand; Claudette Mackay-Lassonde, President, Firelight Investments Inc. and a Director, The Canadian Club of Toronto; John A. Campion, Partner, Fasken Campbell Godfrey and President, The Empire Club of Canada; His Excellency Chawat Arthayukti, Ambassador of Thailand to Canada; Peter McCain, Vice-President, Export Sales, McCain Foods Limited; His Excellency Supachai Panitchpakdi, Deputy Prime Minister of Thailand; Clément Joly, FCA, Director and Partner, Raymond, Chabot, Martin, Paré, and Chairman, Quebec Advisory Committee, Thailand Business Association of Canada; His Excellency Gen. Vijit Sookmark, Minister of Defense for Thailand; Catherine R. Charlton, President, The Charlton Group and Past President, The Empire Club of Canada; and Michael Kerr, Buddhist Communities of Greater Toronto and a Director, The Empire Club of Canada.

Chuan Leekpai

Mr. Chairman, ladies and gentlemen: At the outset, I should like to thank the Canadian Club of Toronto and the Empire Club of Canada for organising this luncheon meeting, which has brought together such an impressive group of Ontario business executives. It is an honour to meet with you at the end of my week-long visit to this beautiful and hospitable country. The visit has enabled me to exchange views with members of the private and governmental sectors on strengthening our co-operation in various fields. Toronto, as the meaning of the name suggests, is truly an important meeting place.

In Vancouver I told the business executives I met with about the business opportunities which exist in my part of the world, particularly in Thailand. In Ottawa yesterday, I had occasion to confer with Prime Minister Chrétien on the strengthening of our economic ties. We agreed that we should double the value of our bilateral trade in five years. As my visit draws to an end, I cannot miss this opportunity to invite you to consider Thailand as one attractive venue for Canadian investment.

For the remainder of this presentation, I would like to give you an overview of the current economic situation in Southeast Asia, and certain aspects of the financial reform in Thailand which impact on foreign investment.

During the last two decades, Southeast Asia has managed to achieve impressive growth and stability. ASEAN, which comprises Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand, has acted as a stabilising factor in the region. This regional stability has created a favourable environment for rapid and sustained development. Today, ASEAN ranks as the highest growth region in the world. We are forming a free-trade area among the ASEAN countries, called AFTA, which is quite similar to NAFTA in its attempt to reduce tariffs and to promote trade among ASEAN countries.

Apart from ASEAN, Southeast Asia also includes Laos, Vietnam, Cambodia, and Myanmar. We may, in economic terms, include Southern China in this region. All these countries are quickly transforming themselves into free-market economies. The Southeast Asian region, with a combined population of more than 500 million, has more than half a trillion U.S. dollars in GDP, a size equivalent to Canada's GDP. It is a favourable area for investment opportunities which, I believe, you will not want to miss. On our part, we fully welcome Canadian investors.

In programming our development in the context of regional growth, Thailand has positioned itself as an economic centre in Southeast Asia. We have joined with Malaysia and Indonesia, our neighbours in the south, to create the Growth Triangle. With our neighbours to the north, namely Laos, Myanmar, and Southern China, we have formed a Growth Quadrangle. We have co-operated with six countries in the Mekong Basin for similar purposes. The emergence of these subregional collaborative projects is opening up opportunities for your investment. In particular, Thailand can serve as a gateway to Indochinese countries.

In the case of Thailand, the Thai economy has grown steadily at eight per cent per year during the first half of this decade. At the same time, inflation has been kept at four to five per cent per annum. With this stable economic condition, the government has undertaken various economic and social policies to bring greater efficiency and equity into the society. While allocating more of the budget for rural development, the government pursues a conservative fiscal policy that has resulted in a substantial fiscal surplus in the last seven years. This has enabled the government to reduce tax rates and to simplify the tax system. For the last three years, the government has stopped borrowing from local financial markets to finance the budget. It is set to pursue a balanced budget policy for the years to come. We wish to continue the present growth rate with low inflation as economic objectives point towards the twenty-first century.

The monetary authorities also undertook measures of financial adjustment. These included the liberalisation of the foreign exchange control regime for both current and capital account transactions.

The financial institutions have been given more freedom to operate, while prudential rules have been tightened. We have opened up the banking system significantly by allowing more foreign banks to set up international banking facility units, or what we call BIBF. In this connection, I am pleased to say that I have awarded a BIBF license to the Bank of Nova Scotia from Toronto last year, which is the first Canadian bank to start an operation in Thailand.

With BIBF, we hope to shape Thailand as a regional financial centre to serve the neighbouring Southeast Asian countries thereby helping them to develop their economies.

Last year, the value of foreign direct investment in Thailand totalled $2 billion Canadian. Of this amount, Canadian direct investment accounted for only $8 million Canadian, or a mere 0.41 per cent. There is still much scope for Canadian investors to increase investment in Thailand further.

The Thai government has a firm policy to encourage investment by both local and foreign enterprises, especially in telecommunications, transportation, and energy. Petrochemicals and environmental protection are also our priorities. As part of our policy to promote social development in the outlying provinces of Thailand, we give maximum tax privileges to those who invest in these areas.

I sincerely hope that this brief presentation will help your interests in investing in Southeast Asia and Thailand.

I wish to invite all of you to visit my country and to experience first-hand the investment opportunities in my country.

Thank you.

The appreciation of the meeting was given by John A. Campion, Partner, Fasken Campbell Godfrey and President, The Empire Club of Canada.

Fragile Flowers

Justice is a word and concept which we all declare to be a pillar of our society. It comes in big packages because of the breadth of its application. But, in reality, justice is played out on a very small single-person stage. If power relationships do not have respect and gentle regard for humanness of all the participants, then justice will not be found. Justice has many historical precedents. Let me give you one from Thailand.

In the year 1250, the first kingdom of the people known as the Thais, was created at Sukhothai. The kingdom is the cornerstone of modern Thailand. The first kingdom's greatest contribution was to cultural and political matters. From that early period until today's date, the Thai people have been major contributors to the world of architecture, sculpture, religion, agriculture and not the least, foreign trade.

Thailand has a special and romantic place in our collective North American imagination: Siam, teak boats, Mrs. Anna Leo Nowens, teacher to Rama the fifth and the subject of *The King and I* and the *Bridge Over the River Kwai*. These romantic notions have been replaced by the extraordinary development of Thailand over the last 20 years.

In looking at the beginnings of the Thai Kingdom, its foundation was justice. A famous inscription from 1250 which formed the philosophical basis of the first Thai state read, in part, as follows:

"In the time of the first kingdom, this land of Sukhothai is thriving. There is fish in the water and rice in the fields ... the King has hung a bell in the opening of the gate over there: if any commoner has a grievance which sickens his belly or gripes his heart ... he goes and strikes the bell ... and the King questions the man, examines the case and decides it justly for him."

Prosperity in trade and justice among the people sustained the first Thai Kingdom. It would have failed without the two forces in symbiotic relationship.

The same is true in all societies. But while international trade flourishes, it is more complex and difficult to sustain justice in our mechanically efficient world—but maintain it we must.

Thailand is a remote and romantic place for most Canadians. But, trade and the new Pacific orientation for Canada has brought our two countries into the same orbit. On behalf of our joint Clubs, I would like to thank you, Prime Minister, for speaking to us and reminding us of your ancient heritage and your modern dynamism.

Chuan Leekpai, John Campion and Peter McCain.

April 27, 1995

Marilyn L. Pilkington

Dean, Osgoode Hall Law School, York University

CHALLENGES FACING THE LEGAL PROFESSION

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Gareth Seltzer, Vice-President, Private Banking, Guardian Capital Advisors and a Director, The Empire Club of Canada; Paul Monahan, Partner, Fasken Campbell Godfrey and retired Executive Assistant to The Hon. Allan Rock; Peter W. Hogg, Q.C., Professor of Law, York University; Kathy Dunphy, The Toronto Star; Michael F. Brown, Senior Discipline Counsel, The Law Society of Upper Canada; Jessica Lax, student; Vanessa Campion, grade 6 student, Mabin School; Lorne Morphy, Q.C., Partner, Tory Tory DesLauriers & Binnington; Jack Petch, Q.C., Partner, Osler Hoskin & Harcourt; The Hon. Justice Tamarin Dunnet, Judge of the Ontario Court, General Division; Julie Hannaford, Partner, Borden & Elliot and 1st Vice-President, The Empire Club of Canada; Joan Lax, Assistant Dean and Director of Admissions, Faculty of Law, University of Toronto; John F. Evans, Q.C., Barrister & Solicitor, Hamilton, Ontario; The Rev. Canon Gerald P. Loweth, Minister, St. Philips, Lawrence Park; Dr. Susan Mann, President, York University; Meredith Pilkington-Shaw, grade 8 student, Branksome Hall; Laura Legge, Q.C., Partner, Legge & Legge; The Hon. Charles Dubin, Chief Justice of Ontario.

Introduction by John Campion
Dickens Reforms Canada's Courts

"Implacable November weather. As much mud in the streets as if the waters had but newly retired from the face of the earth. Fog everywhere.

The dense fog is densest and the muddy streets are muddiest near the Temple Bar. And hard by Temple Bar in Lincoln's Inn Hall, at the very heart of the fog, sits the Lord High Chancellor in his Court of Chancery.

Never came there fogs too thick, never came there mud and mire too deep to assort with the groping and floundering condition which the High Court of Chancery had fallen in sight of heaven and earth.

On such an afternoon, some score of members of the High Court of Chancery Bar are mistily engaged in one of 10,000 stages of an endless cause, tripping one another up on slippery precedents, groping knee deep in technicalities in a lawsuit squeezed dry upon years ago so that no man alive can know what it all meant."

So, in 1850, began one of the greatest popular story-tellers of all time—Charles Dickens. At the beginning of his novel, *Bleak House*, Dickens, a former court reporter, described the sorry state of affairs in the case known in the Chancery Court as Jarndyce v. Jarndyce.

Upon what cause lay the plight of the parties and their inheritors? It lay upon many factors, but most of all, it lay upon the changes in the life and times wrought in England, Europe, America and elsewhere in the world by a revolution. The two great revolutions which have affected our age most profoundly were the French Revolution of the 1780s, driven by the Enlightenment and the less spectacular but equally powerful English Industrial Revolution of the same period, driven by the advances of science and technology.

It was the Industrial Revolution which in a few short decades at the end of the eighteenth century transformed a world, conservative, ordered, agrarian and insular society into a bustling, urban, industrial society of world-wide reach.

While commerce and invention caused extraordinary changes for the good, they left in their wake ancient institutions creaking under the weight of their conservatism and horrific new social, environmental, economic and psychological problems which haunt us yet.

The legal system was slow to change, but change it did. The reform movements of the 1830s ultimately translated into a streamlining of the courts, a simplification of procedures and ultimately a change in the education system, including greater access to the great profession of solicitors and barristers.

In the twentieth century, the legal profession and the legal system have had unparalleled success as lawyers, judges, academics and legally trained people in all walks of life have affected or dominated a good portion of the society's political, social and economic agenda in a turbulent, fast-paced, violent and confrontational time.

But change is upon us again. This time in the face of a scientific, communication and space-age revolution. In the wake of these changes, our procedures are too slow and expensive. Family matters, criminal justice, social issues and constitutional matters all require detailed and expert care but are played out more and more under the unforgiving scrutiny of a sceptical public wired to an electronic universe.

In the midst of this rapid and unpredictable change, the legal system is now facing unprecedented problems; the signs of stress are everywhere in our institutions and in the profession. Our society's ability to adjust to these changes is fundamental to the well-being of the society as a whole. One of the precious pillars of our democracy—the rule of law—is under the spotlight and in need of fundamental revision.

Marilyn Pilkington is one of the most prominent lawyers, teachers, and administrators active in law, in the country today. She became Dean of Osgoode Hall Law School in 1993. She is the first woman to serve as Dean of an Ontario law school. Before joining the Faculty of Law in 1980, Dean Pilkington served as a law clerk to the Honourable Mr. Justice Judson of the Supreme Court of Canada and practised law. She teaches evidence, constitutional law, civil procedure and issues concerning the legal profession.

She is co-author of a book on business corporations law with Frank Iacobucci, now of the Supreme Court of Canada and Robert Prichard, now President of the University of Toronto. Ms. Pilkington is active within her University and within the profession as a member of the Society's Certification Board and as a consultant to The Law Society on reform of its discipline and complaints processes.

Marilyn Pilkington has contributed to law reform as a member of the research team for the Ontario Law Reform Commission's project on public enquiries and was a member of the advisory committee for the Commission's project on Crown liability. Besides all of this, Ms. Pilkington adjudicates human rights cases as a member of the Canadian Human Rights Tribunal and is active in providing leadership in curriculum reform and institutional development for the profession.

For all of these contributions, Marilyn Pilkington was awarded an Honorary LL.D. by The Law Society of Upper Canada in February, 1994. It is with honour and high expectation that I ask you to welcome Marilyn Pilkington.

Marilyn Pilkington

Chief Justice Dubin, President Mann, distinguished colleagues and guests, and particularly the students who are shadowing their parents today to find out what really goes on while they're at school and their parents are left to their own devices.

There's a lot of pressure on the parents, especially on the lawyers, who know they can't hope to provide as much excitement in a day of real life work as television lawyers pack into an hour. In our household, though, the expectations are more realistic. As many of you will know, it's not easy to explain to a small child what it is that lawyers do. When our daughter, Meredith, was much younger, she spent an hour or so at my husband's law office and later announced that not only did she know what lawyers do but that she was quite sure that she could do it. "What do they do?" I inquired. "They talk on the telephone," she said. "And I can do that." We've been trying ever since to convince her that our work is more challenging than it may appear.

I've been looking forward to today, John, and knowing that this was your last opportunity as President to introduce a speaker, certainly has heightened my sense of anticipation. Your ability to forge links between historical events and current issues has certainly provided added value to the full and varied programme of speakers you have presented to The Empire Club this year, and I am delighted to be among them.

I was part of a small group gathered by John Campion some months ago to discuss potential speakers for the Law and Society Series. We came up with a lengthy and wonderful list—including the Minister of Justice and the

Chief Justice of Canada, from whom we've already heard. The breadth and range of the list of potential speakers and topics that would be of interest to members of The Empire Club demonstrated very vividly the extent to which the law provides a framework for discussing many of our important social and political issues, and the extent to which we have turned to the legal system to resolve these issues and to settle important value questions for our society.

I hasten to assure you that I didn't suggest myself as a speaker—nor, as I recall, did anyone else at that meeting—and I'm not quite sure what led to John's subsequent invitation, but I accepted with enthusiasm. I am pleased to add a law dean's perspective to those already offered in this series, from government and from the court. John has invited me to talk, not about legal education, but about some of the challenges facing the legal profession, and has urged me to pull no punches.

In the campaign for the approaching election of the governing body of the Law Society, there is a good deal of discussion of how the Society should handle the interests of the profession. There is perhaps not enough discussion of how we can improve the profession's service to the public.

There are plenty of critics of the legal profession who pull no punches, and there always have been. Among the traditional learned professions—none of which escapes criticism—lawyers as a group have always been a target, frequently depicted as venal exploiters of others' misfortunes, acting without scruples or conscience. It's a consistent theme, incongruous and troubling to the majority of lawyers, and perceived by them as grossly unfair, but nonetheless sufficiently widespread to be popularised in the seemingly endless supply of lawyer jokes, and palpable in political rhetoric, particularly in the United States.

The strength of the appeal of this negative image and its permeation of popular culture was brought home to me in the movie *Hook*, released a few years ago. Those of you who've seen it may remember that the grown-up Peter Pan, played by Robin Williams, has forgotten his earlier life and what he stood for, and has developed instead into a mergers and acquisitions lawyer—providing an opening for Maggie Smith, the aging Wendy, to shake her head sadly and say, "Oh Peter, you've become a pirate." To make sure that the audience gets the message, Williams is shown giving a speech in which he tells lawyer jokes. You know the sort:

> Q.: "Why are some research scientists now using lawyers instead of rats?"
>
> A.: "There are some things even a rat won't do. And besides, you can get attached to a rat."

Now we know, given the marriage rates of lawyers, that lots of people get attached to them—and stay attached to them. Nonetheless the makers of a commercial movie, designed for a widespread audience, perceived that these lines would resonate with some deep-seated apprehension about lawyers as a group.

This negative image of lawyers as amoral, self-seeking sharks is not a modern phenomenon, nor is it rooted in American attitudes. Great English writers—among them Shakespeare, Dickens, Swift, Addison, Pope, Johnson, Trollope—all took swipes at lawyers and their impact on the administration of justice. Nor is the negative view limited to common law jurisdictions. It's hard to resist Alan Dershowitz's conclusion that "any profession that suffers from so foul a reputation must, in some way, provoke it."

In fact some of the unease with the profession stems from a lack of understanding of the role of lawyers in our adversary system, and unless we change that system, this lack can be addressed only by explaining their role more effectively. Thus, for example, there is criticism of the morality of a profession whose members defend accused persons whom they know to be guilty. Our adversary system, and professional ethics, require that a lawyer instructed to defend the case must present as strong a defence as is possible, challenging and testing the Crown's case, conceding nothing. The lawyer is restrained from putting forward any affirmative defence that would mislead the court—a false alibi, for example—but is otherwise entitled to require that the Crown prove its case beyond a reasonable doubt without assistance from the defence.

In our system, it's judge and jury who are charged with assessing the truth. It's assumed that they are likely to do so most effectively if two advocates argue on either side of the matter, laying out the strengths of their own case and the weaknesses of the other side. It's assumed that, out of the cut and thrust, the truth will emerge. While the lawyer's role as advocate may appear to some to be amoral and value free, it serves the values of our adversary system, widely assumed to be a bulwark of our freedom.

Thus, some of the negative image of lawyers is undoubtedly based on a misunderstanding of their roles. But the criticisms go beyond this, indicating that there are too many instances in which lawyers are perceived as putting their interests ahead of the interests of the clients or potential clients. These criticisms include the citation of conflicts of interest and the provision of unnecessary services, and the impact of decisions by law firms to concentrate their services only in lucrative fields of practice, treating their work like a business to be maximised and marketed rather than a vehicle for making professional services available to the public.

On the other hand, negative images of lawyers are counter-balanced by other, equally compelling, positive images—the independent and sometimes courageous advocate, champion of the rights of the individual, of the oppressed minority, against the majority power of the state and popular opinion; the trusted advisor who combines expert knowledge of the law and highly developed lawyering skills with wise judgment of human and business affairs; the fiduciary whose integrity can be relied upon absolutely; the clinic lawyer working for social justice. We think of some of our heroes at the bar—advocates like J. J. Robinett, G. Arthur Martin, Charles Dubin, now our Chief Justice, and his former protégé, Lorne Morphy. We think of leading solicitors, not only in the large firms, but also in successful smaller practices—lawyers who like Laura Legge embody professional standards. We think of outstanding legal scholars and counsel like constitutional lawyer Professor Peter Hogg. It is these images that attract the brightest and the best to our law schools. It is these models that most of us seek to emulate. This positive image of the lawyer has also entered public consciousness.

At best, however, the image—and the reality—of lawyers are mixed. Should the profession be concerned? Should the public be concerned? I referred at the beginning of my remarks to the fact that our society looks increasingly to the legal system to settle important value questions. Other social institutions which used to define and informally enforce standards of behaviour have to a large extent withdrawn from the field, requiring more and more reliance on law as a means of control. This reminds us of Mark Twain's comment—surely more apt today than in his time—that, "If you laid all our laws end to end, there would be no end."

Most would agree that it's a good thing that we now have a more diverse, pluralistic and perhaps more tolerant society, and many remember that the power of social conformity frequently imposed high costs on individuals, especially on (but by no means restricted to) women. On the other hand, the lack of extra-legal constraints on behaviour may put too much pressure on the legal system. Alexander Solzhenitsyn described the problem:

"People in the West have acquired considerable skill in using, interpreting and manipulating law... Every conflict is solved according to the letter of the law and this is considered to be the ultimate solution. If one is right from a legal point of view, nothing more is required;... Voluntary self-restraint is almost unheard of; everybody strives toward further expansion to the extreme limit of the legal frames... I have spent all my life under a Communist regime," he said, "and I will tell you that a society with no other scale but the legal one is also less than worthy of man."

As Alexander Bickel puts it: "The law can never make us as secure as we are when we do not need it."

In this context it is, at least, an ironic coincidence that with the availability of the Charter of Rights and Freedoms, providing disadvantaged minorities with the opportunities to advance their interests as legal claims, there is also diminishing political commitment to fund the social programmes which respond to the needs of the disadvantaged. As we become a society of people who assert our legal rights, perhaps we feel less strongly the sense of community, of duty and obligation to the less fortunate than was felt in previous eras.

The more we must rely on the legal system, the more it is important that there be public confidence in its players. In light of the mixed image of the legal profession, will we be content to rely on lawyers to shape important issues for decision and on legally trained judges to decide those issues? And if not, do we have alternatives?

The regulation of the legal profession provides a microcosm of the larger challenge. One of the essential attributes of a professional is a sense of standards and values. As the profession has become more diverse and more stratified in a wide range of modes of practice, it's less likely that there is a cohesive set of shared values, and there is more need to regulate conduct through explicit rules. That, in turn, may lead to a sense that it is sufficient if lawyers comply with the letter of the explicit rules—or, more narrowly, the explicit rules that are actually enforced.

A major challenge for the legal profession is to redesign its systems for inculcating and enforcing standards of professional conduct in this changing milieu, to ensure that lawyers maintain the self-restraint that enables them to put service to others ahead of self-interest. Without this discipline, lawyers simply cannot justify their power to regulate themselves.

It is worth emphasising that this is a profession that bears the costs of its regulation, that funds the costs of insuring against the errors and omissions of its members, that compensates clients who suffer from a lawyer's misconduct. In effect, members of the profession stand behind each other's competence and honesty. The increasing costs of doing so have generated intense scrutiny within the profession, focusing on whether there are too many lawyers, whether we can be confident of their standards, whether they should be required to undertake continuing legal education and how they should be regulated to ensure competence and professional standards.

Do we have too many lawyers? Only if one accepts that the market for legal services is limited to that now served by the bulk of the legal profession. But it's worth noting an observation by former President Jimmy Carter, who said of the profession in the United States:

"We have the heaviest concentration of lawyers on earth... We have more litigation, but I am not sure we have more justice. No resource of talent and training in our society, not even medical care, is more wastefully or unfairly distributed than legal skills. Ninety per cent of our lawyers serve 10 per cent of our people."

Our legal aid programme and our network of community legal clinics might produce a somewhat more favourable ratio, but the thrust of President Carter's observation is apt for the legal profession on both sides of the border.

When it becomes highly competitive among the 90 per cent of lawyers who seek to serve the 10 per cent of the public, there are calls from some within the profession to limit the number of lawyers, to enhance the effectiveness of the monopoly, and to ensure appropriate prices for legal services. One can understand the reasoning. If clients in a competitive market bargain for a low fee on a transaction, one less than the cost of undertaking the necessary legal work to protect the client's interest, but rely on the fact that, if anything goes wrong, there will be insurance and other resources to claim against (resulting in increased insurance premiums) the lawyers lose at every turn. Nonetheless, price-fixing monopolies are not generally considered to be consistent with the public interest, and such policies could put the profession's privilege of self-government at risk.

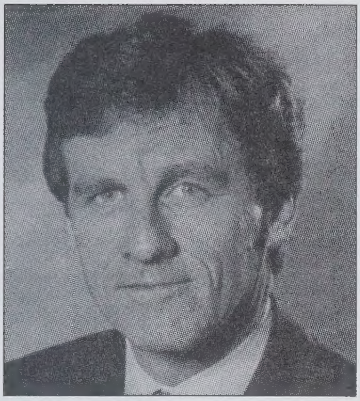
The alternative is to expand access to cost-effective legal services for those whose interests are not currently well served by the legal profession. As our society relies more heavily on laws, systems and processes to resolve complaints and mediate interests, there are opportunities for individuals educated in the law to integrate and apply their knowledge and skill in a variety of alternative and productive careers.

And thus, the legal profession must confront some fundamental issues—not by focusing on its narrow and immediate self-interest, but by facilitating change in a manner that enhances what is best about the profession and addresses legitimate and long-standing concerns. It must do what it should do well—rethinking old forms in the context of new needs, establishing and enforcing necessary standards, applying its formidable analytical and problem solving skills to strengthen the profession and expand its capacity to serve the widespread need for legal services. In doing so, lawyers must consider their motivations for practising law. The future of the legal profession depends upon our commitment to professional values of service, and may require that we revise our expectations of the opportunities the profession provides to maximise incomes.

To the students who are shadowing lawyer parents today, I would say that a career in the law provides tremendous opportunities for stimulating work that helps people, facilitates enterprise and development, and provides a framework for stability and change in our society. And I can also assure you that even after your parents have done their best to address the issues facing the legal profession, much will remain to provide a challenge for your generation.

The appreciation of the meeting was expressed by Julie Hannaford, Partner, Borden & Elliot and 1st Vice-President, The Empire Club of Canada.

Marilyn Pilkington, Dean, Osgoode Hall Law School and The Rt. Rev. Terence Finlay.



March 24, 1995

Joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Allan Rock

Minister of Justice and Attorney General of Canada

OBSERVATIONS ON PUBLIC SERVICE

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Robert Dechert, Partner, Gowling, Strathy & Henderson and a Director, The Empire Club of Canada; Johnathon Bird-Thompson, Grade 10 Gifted Program student, Danforth Collegiate and Technical Institute; Shaughnessy Cohen, Liberal Member of Parliament; Nigel Campbell, Partner, Blake, Cassels & Graydon; Mary Ann Sanderson, President, The Advocates' Society; Glenn Burnstead, Senior Vice-President, General Counsel and Secretary, Toronto Dominion Bank; Pat Fleet, Member, Central United Church; The Hon. Mr. Justice Joseph Potts, C.D., Supreme Court of Ontario and a Past President, The Empire Club of Canada; J. Edgar Sexton, Partner, Osler, Hoskin & Harcourt; The Hon. Roy McMurtry, Q.C., Chief Justice of Ontario Court of Justice; Jan Dymond, Vice-President, ZED Communications and a Director, The Empire Club of Canada; Peter Brent, Vice-President, Legal Affairs and Corporate Secretary, MDS; Eleanore Cronk, Partner, Fasken Campbell Godfrey; Randy Echlin, Partner, Borden & Elliot; Kenneth Whyte, Editor, Saturday Night Magazine; The Hon. George Elliot Harre, Chief Justice of the Cayman Islands; and Tom Heintzman, President, Canadian Bar Association.

Introduction by John Campion
Pushkin's Death by Duel

By 1789, the duel, as an honourable estate by which men and even women settled matters of personal honour, had receded into what many thought was a welcome and permanent obscurity.

Alas, its decline was only a prelude to a virulent recovery brought on by the French Revolution and the subsequent militarization of European and North American society that took hold from Napoleon Bonaparte's ascendancy in 1799 until his final defeat in 1815.

While official society condemned it, churches opposed it vehemently and law codes did not distinguish between death by duel and willful murder, the duel's rebirth in Paris soon spread to the United States through New Orleans, into Canada, into Britain, Ireland, Germany, Russia and even the Papal states where in one 10-year period 2,759 duels were officially recorded.

Duelling was not confined to the military. Heads of State, politicians, students, lawyers, journalists, poets and even doctors and judges fought to the death with pistols, swords, fists, daggers and in the American backwoods, even rifles.

Alexander Pushkin, Russia's national poet, was killed in a duel in 1837.

In Britain, duels were fought by fully six Prime Ministers in a row—often to settle matters arising from political actions, words spoken in Parliament and cabinet maneuvering. In one fatal case during an election campaign, a duel was fought over a complaint by one candidate that the opposition had trespassed on the land of a voter known to be a supporter of the first.

In the United States, Andrew Jackson fought many duels, killed several opponents and thereafter still got elected President.

Governor James Hamilton of South Carolina was involved in fully 14 duels, wounding his opponent on each occasion.

Some of the most violent contests though were preserved for those between lawyers and judges.

Edinburgh lawyers took a particular fancy in fighting duels over court room exchanges and printed criticism. But Ireland was the worst.

Daniel O'Connell was a notoriously abusive barrister. In his heart, he claimed he was against duelling but it was the fashion of the Irish Bar. During his career, he caned his own cousin in open court, called his best friend a liar, had a volume of statutes thrown at his head and got kicked in the shins by an aggrieved witness—all of which led to duels—some of them fatal.

And, my Lords, lest you think judges were exempt, a High Court Irish Judge—Lord Norbury—was reputed, in a series of duels, to have "shot himself all the way up to the Bench."

It took an English cabinet minister in the 1830s, Sir Robert Peel, to intervene. Using all means at his disposal, Robert Peel, who gave his nickname "Bobbie" to the London police force he created, used legislation, local magistrates and his police force to bring a decline in the practice of duelling in England. Slowly, the rest of the civilized world followed Britain's example.

The Minister of Justice and Attorney General for Canada, has something in common with Robert Peel and the beginning of the end of duelling.

He has born the brunt of challenges to civilized behaviour in the guise of violent crime using guns. He chose as his response and that of the Chrétien government, a bill on gun control.

The government knew that there would be serious and sustained opposition to this legislation. They knew that the legislation had its limits in terms of criminal dealings in fire arms. But, like Sir Robert Peel, the Minister chose all the means at his disposal to put forward a bill before Parliament that would make the abuse of firearms not only less possible, but also morally unacceptable in our society. Through the government's efforts, they have moved to make our society a safer, more civilized place.

Before his rise to high political office, Allan Rock was a widely respected barrister of 20 years experience in the courts and before tribunals. He was a bencher and ultimately Treasurer of The Law Society of Upper Canada, the governing body of Ontario's 25,000 lawyers.

In 1993, he was elected as the Member of Parliament for Etobicoke Centre. Since then he has earned the respect and high regard of all Canadians for his respectful demeanor and many initiatives running from drunkenness as a defence to the enforceability of maintenance awards. Please welcome The Honourable Allan Rock.

Allan Rock

I should begin by thanking John Campion for his very kind and generous introduction.

I am delighted and honoured to be included in your addresses in the Law and Society Series. I feel very much at home speaking in a place so close to my old stomping grounds, and in the company of so many good friends. As many of you know, I spent 20 years practising law a few blocks from here. I learned a lot in that period about the relationship of law to society from the vantage point of a courtroom lawyer.

I would like, with your permission, to spend a few minutes today reflecting upon some of the things that I have learned during the period since I left practice and entered public life. I do not wish to pretend that I have yet learned enough to speak with any authority. As I reflect, I will remember the observation attributed to George Bernard Shaw. After having met and spoken with a young man, Shaw was heard to say, “He knows nothing. And he thinks he knows everything. That points clearly to a political career.”

My first observation deals with the nature of my portfolio.

I have been in my present job for about 17 months now. It is the most demanding one I have ever had—and, without a doubt, the most interesting. This is partly because that is the nature of the assignment, but also because this is a time of tremendous activity and change.

When I was sworn into cabinet, it was to serve as both Minister of Justice and the Attorney General of Canada. My position was summed up quite well in a recent cartoon in the New Yorker magazine. A man with two heads is standing at a cocktail party, good naturedly answering the obvious question. The caption reads: “Actually, I wear two hats.”

Well, I wear two hats. As Minister of Justice, I am the cabinet member responsible for the framing of policy relating to the justice system, and for developing new legislation in relation to that system. On the justice side of the agenda, the issues which have involved me in policy discussions range all the way from child support to gun control; the use of DNA evidence in the courtroom to amendments to the Young Offenders Act; sentencing reform to changes in the Human Rights Act; euthanasia and assisted suicide to Criminal Code amendments dealing with prostitution.

As Minister of Justice, I am also responsible for certifying that all legislation brought forward to Parliament by any department of the government is in compliance with the Constitution. While Parliament is in session, a large part of my time is spent on the floor of the House, in the midst of the political fray.

My second role, as Attorney General of Canada, is related to, but is quite different from the first. It involves my work as the Chief Law Officer of the Crown, responsible for the government's interests in litigation. I initiate prosecutions on behalf of the federal government and defend proceedings that are commenced against it.

My role as Attorney General is apolitical, by definition. Decisions about whether to prosecute, or to stay a prosecution, are not reached in the collegial, cabinet style: they must be made by me alone, independent of political considerations.

The position of the Attorney General as an even-handed law officer who sits in a political cabinet has preoccupied authors and commentators over the years. In recent times, we have had splendid examples of Attorneys General handling that difficult portfolio superbly. One of the pre-eminent Attorneys General of our time has been the Honourable Roy McMurtry, present Chief Justice of the Ontario Court of Justice, who served as Attorney General of Ontario for 10 years, and through a variety of very challenging issues. Another Ontario Attorney General of extraordinary skill was Ian Scott, who also wrote and spoke insightfully about the nature of the position.

In lectures that he gave in Toronto in 1989, Ian emphasised that an independent Attorney General must bring to policy making in government a particular concern for principle, for constitutionalism and for rights. As Attorney General of this province for five years, Ian Scott provided a living and vivid example of the ideal that he described: he was an Attorney General who focused issues of principle on questions of politics.

In my own work, I do my level best every day to remember his advice and to live by his example. Nor is there any shortage of cases from which to accumulate experience, whether they be criminal prosecutions, the determination of Aboriginal land claims, interventions in constitutional cases, or applications for mercy by persons convicted in the criminal courts.

All of which is to say that my education in the law has been continuing at my new address.

My second observation relates to the respect I have developed for the immense complexity of the political system.

I can remember wondering from my place in practice why it took so very long for governments to get things done. With a majority in the Legislature, can needed reforms not simply be enacted? I can now offer direct evidence from my personal knowledge that things are not quite as simple as they appear.

I am not suggesting that there is any lack of complexity in the life of a trial lawyer, but there is a difference in texture. In the practice of law, by my experience, the process is reasonably linear. You define the problem, or your client's. You postulate a solution or an outcome. And you devise a strategy for getting from one point to the other.

I have found that working through the agenda of the Minister of Justice isn't entirely that direct. To get an initiative rolling, whether of new legislation or new policy, you cannot simply pitch right in and get the job done.

The first challenge upon coming into office is to establish priorities. In my case, I was assisted by a written platform on which the government achieved election. The famous "Red Book" provided part of the script as I worked in the early months to list the jobs in order of priority. I received enormous help from the Department of Justice itself. The Department is filled with excellent lawyers with a keen sense of the agenda.

One of the first lessons that I learned is that priorities cannot be established in such a tidy and orderly way. Picking the next project is not always the prerogative of the minister, or even of the government. As soon as you believe that you have a settled process in mind, along will come a judgment from the Supreme Court of Canada, or perhaps a request from a client department of government for an urgent amendment, a sudden labour dispute in an essential service, or even the arrival of a foreign fishing fleet, and the neatly listed priorities are suddenly cast aside in favour of the emergency of the moment.

But assuming the priorities can be pursued in the order in which they are established, the first major task is to begin construction from the ground up—on the firm base of public understanding and support. That means consultation. Depending on the issue, consultation may involve anything from cross-Canada public hearings to publishing a discussion paper, or quiet meetings with expert groups on specialised subjects. My own preference, particularly in matters of complexity, is to be personally involved in the consultations. While that slows the process down, it is of enormous value to me. It is only through direct involvement in the exchange of ideas and in listening to the views of others that I can develop a sense of confidence that I understand the issues and that the solution we eventually decide upon is the right one.

It is, of course, possible to overdo it. I well recall the day in Question Period when the Justice critic from the Opposition, complaining about lack of action, called me "the Minister of Consultation."

The purpose of consultation must always remain clear. To consult is to learn, and to become sensitive to all perspectives, so that whatever decision is made, the government will act with the knowledge of how all relevant interests will be affected, after having given respectful consideration to those interests. The point is not to do what Allan Rock personally or any other incumbent would prefer to do, the task is to serve the public interest.

Unfortunately, that term is more subjective than scientific. As you can see on the lawns of Parliament Hill on any given day, there are dozens of articulate advocacy groups with their own definitions of the public interest. It is part of the chemistry of democracy to try to reconcile those views and those interests. Where they cannot be reconciled, government must decide and then take the responsibility for the decision.

The process of consultation must also involve the Party's caucus. Members of the cabinet must never forget that the power of the government depends entirely upon the support of our caucus colleagues. Their views and their values must be acknowledged and respected. Caucus is an outstanding source of political intelligence and shrewd practical advice. Caucus is comprised of 177 members of Parliament from right across Canada. They are a diverse and varied group. It is not at all surprising that they would hold a wide range of views on the controversial issues that confront the justice portfolio.

While we do have our differences, all Liberal members of Parliament share the principles of the Party and of its platform. There is no reason to expect unanimity on any given question. Working with caucus committees toward the development of policy is an essential part of the process.

Policy proposals must also be thoroughly discussed in cabinet: Does the initiative fit in with the government's overall priorities? Are there regional or international implications that must be considered? If the money to fund the project has to be found through reallocation, why should one project be preferred over another?

When the policy has a grounding in public discussion, the support of caucus and the approval of cabinet, the legislative process itself begins. The bill is introduced, and the House debates approval in principle at second reading before going to Committee for more detailed hearings. The timetable very much depends on House business generally. As an example, I had hoped that the Firearms Bill would be at Committee by now. The emergency legislation with respect to the rail strike and the debate and vote on the budget resolutions have delayed the process, so that Bill C-68 on firearms will probably not get to the Committee before early April.

My third observation relates to the significance of a theme that appears and reappears in almost every policy issue that I face. That theme is the balancing of individual rights against collective interests.

Consider the varied ways in which this crucial theme arises in my current work:

- Canadians are worried about violent offenders committing other crimes if the offenders are released from jail after serving their terms. But in dealing with that concern, we must avoid arbitrary detention, double jeopardy and vigilantism;
- Canadians want to underscore the principle of accountability in the criminal law, even for those who voluntarily intoxicate themselves, while at the same time recognising that intoxication can deprive an individual of the capacity to form a specific intent in the criminal law;
- Canadians want to assure an accused person the right to full answer and defence, but we must also permit victims of sexual assault to seek treatment and counselling with the reasonable expectation that their legitimate privacy interests will be protected.

In our democracy, as in every democracy based on majority rule, there is continually a balance to be achieved. One aspect of that challenge is to ensure that the many do not override the rights and freedoms of the few. Another is the protection of the individual from the exercise of arbitrary, illegal power by the state. But a third involves the preservation of the common good, sometimes at the expense of the individual's rights in the absolute.

How, then, should government approach the task of striking the proper balance?

In Canada, we have a mechanism that is uniquely designed to achieve that purpose: the Charter of Rights and Freedoms. It is our instrument for maintaining that balance, year by year, case by case, decision by decision.

There were those who said in 1982 that we didn't need a Charter to affirm the rights of the person in Canada. There are some who say that still. Among the thousands of letters that I receive every month are many that call upon me—sometimes angrily—to revoke the Charter and to roll back the court decisions founded upon it.

To those people, I respond that the Charter does not erode our way of life, it enriches it. The Charter does not undermine our values, it enshrines them. And in so doing, the Charter enables our judges to do exactly what the critics demand: to assess and interpret our laws according to a clear statement of what we believe in as Canadians.

It is for those reasons that I cherish the Charter as a guarantor of dignity. I value it in particular for what it puts in writing. The rights of the individual in a democratic society are too important to be the subject of a handshake agreement with the state.

But the genius of the instrument is that it is more than a simple recitation of individual rights—it entrenches as well the collective interest.

From its very opening passages, the Charter recognises the need for balance and provides a mechanism for achieving it. Section one provides that the rights and freedoms guaranteed by the Charter are "subject only to such reasonable limits prescribed by law, as can be demonstrably justified in a free and democratic society."

Our Charter is unique in containing this specific balancing provision. It expressly recognises that organising a free and democratic society sometimes means preferring the interests of the collective over the rights of the individual.

It seems to me that this has turned out to be one of the advantages in having this country wait for 115 years after its birth before writing its own Constitution: more than a century of living and of learning went into the process.

And so, as I reflect upon our system of justice, upon the constant tension between the individual and the collective, I reaffirm my confidence in and my commitment to the Charter and its principles as the highest expression of our values and the surest measure of our laws.

The last observation that I would make has to do with what law alone cannot achieve—and the need for us to come to grips with the limitations of the criminal justice system.

I am often confronted in Question Period by reference to a horrific crime, and a demand that I act immediately to change the law to prevent such a thing from ever happening again.

Punishment and deterrence are obvious and legitimate purposes in the criminal law. Every element of our criminal justice system, from enforcement to prosecution to penalties, must send the message loud and clear that crime, and especially crimes of violence, will not be tolerated.

In keeping with that principle, our government has introduced amendments to

- double the maximum sentence for first degree murder under the Young Offenders Act;
- require that certain serious offenders serve their full sentences before release;
- introduce the longest mandatory minimum penitentiary terms in the Criminal Code for crimes of violence committed with a firearm.

I hope that the record demonstrates our unconditional commitment, in dealing with serious crimes of violence, to punishment that is certain and significant.

But the legislation we have proposed also reflects the principle that for crime without violence, jail should be the last resort. We have said that in so many words, both in the Young Offenders Act amendments and in our sweeping reforms to the sentencing process in the Criminal Code.

And we have said something else. We have emphasised that in the long run, the surest protection for society lies in efforts at crime prevention. The criminal justice system by itself cannot make a society just. It is incapable of doing that because it deals with effects and not with causes. By the time the justice system becomes engaged, people are in trouble, charges have been laid, harm has been done. But when the goal is crime prevention, the things we do within the system must be part of a wider strategy pursued by society as a whole.

Clemenceau said that war was too important to be left to the generals. Well, crime prevention is too important to leave to the lawyers, or to ministers of justice.

Making the streets safer has as much to do with literacy as it does with the law; with health as with human rights, with living standards as with sentencing.

Some people like to talk about simple solutions like "three strikes and you're in." I believe that we have to go beyond the slogans to the substance of the issue. We ought to prefer logic to rhetoric in order to get past the symptoms and address the sources of crime.

If harsher laws, longer sentences and bigger prisons were the answers to community safety, then the United States of America would today be a nirvana. And although putting up prisons is now one of the main objects of state spending in America, it is already clear that a society cannot build its way out of the crime problem.

If crime prevention is going to be effective, it has to be based on linkages between law enforcement and social agencies; between the educational system and families; between community workers and health professionals.

Successful crime prevention means communities taking responsibility for themselves: instead of wringing our hands, rolling up our sleeves and doing our part to make things better.

Crime prevention means recognising connections between the crime rate and the unemployment rate—between the unsupervised access of young people to movies saturated with violence, and the way they act toward one another. Between the way a kid behaves at school and the question of whether he has a hot meal that day.

In the final analysis, crime prevention has as much to do with Paul Martin in Finance, with John Manley in Industry and with Lloyd Axworthy in Human Resources Development as it does with Allan Rock at Justice.

We are working slowly, but surely, at the federal level to act on these principles. Among other things, we have created a National Crime Prevention Council in order to put the subject on the national agenda for the first time. We have asked the National Council to develop a strategy for Canada as we seek to address those linkages and to develop an integrated approach to community safety.

It was Aldous Huxley who observed that "the exasperating thing about life is that it must be lived forwards, but it can only be understood backwards." This afternoon I have touched on some of the things that I have understood over the last year and a half. Some of the lessons that I have learned about the process of the law from the vantage point of Parliament Hill were not so obvious at King and Bay.

I am often asked whether I am glad that I reacted to my mid- life crisis by leaving private practice and running for public office. My answer, in every case, is an unqualified "yes." It is an extraordinary privilege to serve in Parliament. There is unmatched excitement in the work of the cabinet. Life has assumed an exhilarating pace, filled with absorbing work of great variety and remarkable challenge. Simply put, I believe that I have the best job in the country. I have learned a great deal, and I have so much yet to learn.

I have enjoyed the opportunity to spend some time today in familiar territory, with such good friends, and I thank you for allowing me to join you this afternoon.

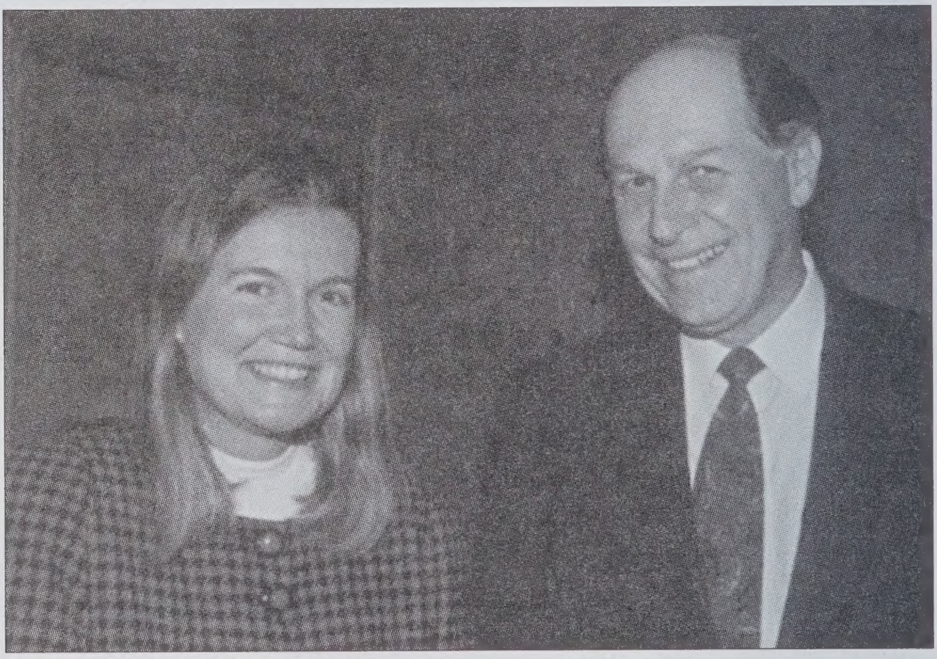
The appreciation of the meeting was expressed by Tom Heintzman, President, Canadian Bar Association.

Tom Heintzman, President, Canadian Bar Association, Allan Rock, Minister of Justice and Attorney General of Canada and John Campion, President, The Empire Club of Canada.

Allan Rock, Terry Tyers and John MacNaughton.

Allan Rock, Minister of Justice and Attorney General of Canada and The Hon. Roy McMurtry, Chief Justice of Ontario.

R. Glenn Bumstead, Vice-President, Toronto Dominion Bank, Shaughnessy Cohen, M.P., and Nigel Campbell, Blake Cassels & Graydon.



Maryanne Saunderson, President, Advocates' Society and Edgar Sexton, Osler Hoskin & Harcourt.

PART IV—CANADA AND HER PEOPLE

Canada derives her vitality and well-being from wave upon wave of newcomers. French, English, Irish, Ukrainian and many other races, nationalities and language groups have come to our great country and found refuge, opportunity and permanence.

These sketches celebrate the immigration of several groups of Europe's peoples from French in the beginning to Ukrainians in this century. The Minister of Immigration for Canada, the French Ambassador to Canada, the magnetic Presidents of the Ukraine and Ireland, provided an opportunity to celebrate the history, contribution and continuing influence of multiculturalism and multi-nationalism in our life in Canada.

November 25, 1994

Joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Sergio Marchi

Minister of Citizenship and Immigration

CANADA'S IMMIGRATION POLICY

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Ratna Omidvar, President, Ontario Council of Agencies Serving Immigrants; Nizar Jiwan, Senior Policy Advisor, Ontario Ministry of the Environment and Energy and a leader in the Ismaili Community; Betty Kennedy De Puricelli, Co-Director, The Mennonite New Life Centre of Toronto; Madeline Zito, President, Zitoflumian Communications and Director, The Canadian Club of Toronto; His Worship Malcolm Streete, Justice of the Peace; Richard R. Boraks, Barrister and Solicitor; Theresa Lombardi, Vice-President, Administration, CHIN Radio; Fred Pristine, President, Pristine Printing Inc.; Mary Lou Benotto, Chappell, Bushell & Stewart and a Director, The Empire Club of Canada and Libby Burnham, Q.C., President-Elect, The Canadian Club of Toronto.

Introduction by John Campion
Cardinal Mazarin's Gift

On a cold March day in 1661, Great Cardinal Mazarin of France, the man who had ruled France with an iron hand, lay dying at his palace at Vincennes. His death was the end of an era when the Cardinal had held so much power that he ruled France alone.

Louis XIV summoned his Ministers and Secretaries to tell them of Mazarin's death and let his Ministers know that from that day forward, he would look after the affairs of state himself.

Cardinal Mazarin had, before he died, said to the King,

"In acquitting the debt that I owe Your Majesty, I am giving you Colbert."

Colbert may stand for all time as the perfect pattern of a servant of the state—economical, hard-working, immensely resourceful, tireless and impassive. His goal was to exalt the wealth and power of France at the expense of the commercial greatness of his rivals—Holland and England. He set out to reorganise and restore the French colonial empire.

Colbert therefore turned his attention to the tiny colony of Canada. Only 550 people lived in its capital and it was under constant threat for survival. Colbert first provided protection with the crack regiment from Carignan-Salieres and then new institutions. Thereafter, he turned to economic and social growth.

As a result, Colbert became Canada's first unofficial Minister of Immigration. From 1665 to 1672, 2,000 new state-aided colonists reached Canada. The Carignan-Salieres regiments stayed in Canada and every year, a most picturesque, if not sad, episode in immigration occurred. The King's ships each brought some 40 to 60 orphan girls or daughters of poor families, to marry the young male inhabitants of the New Colony. These women became known as Les Filles du Roi. They remain today celebrated heroes of that early Colony.

Thus, immigration policy in Canada had begun. Canada is a direct inheritor of the policies of Colbert. The policy has been shaped by men like Sir John Rose, Alexander Galt and Hector Fabré, who were Prime Minister McDonald's agents in charge of immigration in London and Paris, just after Confederation, and Clifford Sifton, the Minister of Immigration appointed by Robert Borden.

Immigration policy has seen Canada at its finest and at its worst. From 1867 to 1921, the third great wave of migration to Canada brought five million people to our country. This was the highest rate of increase in the world. It opened up the West and further populated our central provinces. During this period, the largest increases were among Germans, Scandinavians, Ukrainians and smaller groups of Russians, Austrians, Italians and Poles. These people made great contributions to our country and Canada can point proudly to an enormous success.

But Canada was also at its worst in immigration policy over its history. It excluded people of Japanese origin, it refused to assist Jewish refugees from 1938 to 1945.

And finally, in the post-Second World War era, the need for perceived security problems caused Canada to screen out racial and cultural undesirables.

Today, Canada faces and will face in the foreseeable future, intense and painful debates over immigration policy. The world's population has exploded in Malthusian numbers. The world population was one billion in 1750, three billion in 1960 and it is expected to be six billion by the year 2000.

In part, as a result of these population increases, we can see massacres and famines around the world play themselves out on our television sets with seemingly greater intensity and frequency. We know that poverty continues to stalk much of the world.

Inside Canada, issues of economic capacity, need for skilled labour, family unification, procedural fairness, racism and many other variables, swirl complexly around the development and maintenance of immigration policy.

The Prime Minister has looked to Sergio Marchi, our guest speaker today, to shepherd this sensitive, complex and vitally important Ministry through the first stage of his administration. Mr. Marchi has applied his talents and sensitivities with dedication, skill and capacity of a Colbert.

Mr. Marchi became an Executive Assistant to various Toronto Aldermen in 1982, has been an M.P. since 1984 and is a leading voice and political organiser in Toronto. He was of enormous assistance to M. Chrétien prior to the 1993 election victory and continues that dedication today. Please welcome The Honourable Sergio Marchi.

Sergio Marchi

Good afternoon. I want to thank you for the kind introduction and warm welcome. As the Minister of Citizenship and Immigration—with immigration being the hot topic that it is—let me assure you that a warm and friendly welcome is much appreciated! Lately, politicians have learned to be sceptical about getting invited to warm and friendly places because it usually means a bonfire—with the politician being the marshmallow. It's unfortunate, but generally, politics and governments fall into disrepute with some regularity. Some of the disrepute is deserved and some is artificially induced. A lot of us have watched with some alarm the so-called attack commercials that have dominated the recent Senate and Congressional elections in the United States. Naturally, there is some spillover to Canada because of our proximity to major U.S. media markets.

Tough and hardhitting are not always disagreeable qualities in the media, but when the airwaves are inundated with charges of politicians being drug addicts, adulterers, pro-crime, and anti-family, we can only hope that there isn't a great impact on our political climate. Bile, bitterness and bigotry do not make good government. Creating an angry, cynical public through artificial means can only hurt the concept of public service. And frankly, it is the concept of public service that has helped make Canada a caring and great nation.

Now, let me say that here in Canada, the public often seems to believe that when all is said and done, we politicians get more said than done. Listening to some of our more long-winded debates, I'm not so sure that I would disagree entirely. But I am of the belief that Canadians, overall, do get good government and good service.

In immigration, I'd like to think we are changing the misconception that government doesn't get things done. Because we are indeed getting big things done. And let's be frank here. We are getting things done in the face of some pretty big odds.

A chill wind has been blowing on immigration for a number of months. This is not a totally Canadian phenomenon. Look at the anti-immigrant voting in California recently; look at the what is happening in Europe. It's a cold, cold wind that is blowing on immigrants and immigration almost everywhere.

Here in Canada, criticism of immigration and immigrants has almost taken on a life of its own. Not for a moment am I suggesting that immigration or immigration policy or even the Immigration Minister is above criticism, but hardly anywhere else in public policy does the general public rise to such heights of passion and emotion over perceptions as opposed to reality.

If you were to look at my mail basket on Parliament Hill you would quickly realise that instant opinions are now packaged by the bushel. Many Canadians are worried that strangers are taking their jobs and damaging their social programmes. They fear for tomorrow and what it will bring. We must respect and address these anxieties regardless of what drives them.

Of course, studies in the United States, Australia and Canada have concluded that immigration has no significant impact on unemployment in the long run, and at the level of the national economy, immigrants create as many jobs as they take and do not displace existing Canadian workers.

As we try to allay Canadian worries and concerns about immigration and at the same time put some order and direction into the process, there has been some controversy. The word “some” may be an understatement. Controversy, of course, is not unexpected. As sure as night follows day, every time there is a course correction in government policy, a new path or a new plan, there is controversy.

On November 1, I introduced before the House of Commons a ten-year immigration strategy and a citizenship and immigration plan. I want to stress the word “plan,” because that is exactly what we have: a new plan that provides a ten-year strategy for immigration and citizenship. It is fair, sustainable and affordable for the taxpayer.

For far too long, immigration policy has been piecemeal, add-on or ad hoc. No more. We were asked to make some tradeoffs and we did. We were asked to establish some priorities on immigration as it pertains to the national interest—and we did.

There is an attempt with this long-term strategy to move away from the obsession with numbers.

- It places an increased emphasis on job skills and language skills for newcomers.
- It ensures that one category doesn't over-run the others.
- This plan encompasses an enforcement package that gives law enforcement and government the tools to remove foreign criminals from our soil.
- It eliminates possible abuse in our business immigration initiatives and has underlined our commitment to family immigration as it pertains to spouses and dependent children.
- We are prepared, however, to tighten the rules to stop the multi- million dollar drain on the welfare roles when sponsorship commitments are not maintained for extended family members.

I would like to be very specific about this. This government is not proposing a new tax. We are simply asking people to live up to their commitments—and a commitment is not a tax.

When a Canadian citizen sponsors grandparents or other members of their extended family, they may be asked to post a bond. There should not be a problem with such a proposal. What we are trying to do here is correct the failure rate which is costing tax payers about $700 million a year. The bond would be in force until the newcomer became a citizen. Our figures already show that most people—86 per cent to be precise—would get their bond back.

People who tell you a tax is being proposed—a secret tax based on race or country of origin—are simply not being honest. So let's end that distortion right here. Asking people to back a commitment is simply asking people to accept responsibility for their actions. And that my friends, is what Canadian citizenship is all about.

As well, saving the taxpayer millions of dollars is an honourable goal and is nothing any government or any politician should be ashamed of.

But let's stress something here. There is a lot more to this immigration equation than numbers and dollar signs. We are talking about people. We are talking about individuals who want to be citizens of Canada.

Those of us who have been lucky enough to have been Canadian citizens for some time—whether by birth or by choice—would be well served to reflect on the personal struggle immigrants and refugees have made to reach this land. These are special people. These are people who know how to look to the future and build a reality for themselves and their family out of the wisps of raw dreams. They are also fortunate people as they are now part of the Canadian family.

Canada recognises the emotional ties our new citizens have to their birthplaces and recognises that cultural background is an important part of a new citizen's very being. And, quite frankly, it is also important to whom we are as a nation. Because it is diversity that helped make Canada strong and allowed our voices to ring strong and true in the councils of the world.

After all wasn't it immigrants from Europe who helped build our factories and subways? Didn't Eastern Europeans play a major part in the history of the West? Wasn't it muscle and sweat from Asia that built the transcontinental railway? Sometimes in Canada, we forget that the widening diversity of the Canadian population didn't happen just yesterday. Many ethnocultural communities have roots in Canada dating back more than 100 years.

But even as we celebrate our diversity, we must honour and strengthen the bonds that hold us together. That is why, a key element of our plan involves changes to the Citizenship Act. I believe, and I am sure that you agree with me, that it is important for newcomers and those citizens who are born here to have a sense of Canadian pride in themselves and confidence in their country. And this can come from a better understanding of the rights and responsibilities of being a Canadian citizen. Because those rights of citizenship don't come without responsibilities.

As the government prepares to bring in a new citizenship act, it is important that we have a sense about what Canadian citizenship means. So let me ask you—right here in the Canadian Club and Empire Club: What does it mean to be a Canadian?

This is not meant to be a test. You don't even have to like poutine, pacific salmon or Nova Scotia lobster to answer the question.

The standing Committee on Citizenship and Immigration asked this question of Canadians earlier this summer and submitted its report "A Sense of Belonging" to the House of Commons in June. What they found is that there are those who would squander Canadian identity like small change.

Let me say: To be a Canadian is too precious a commodity to fritter away.

While Canadians, unlike our American friends, don't seem prone to flag waving or pious oaths of patriotism, our national identity is definable because the distance between July 1 and July 4 is more than three days. It is 30 million heartbeats. There are a number of Canadians, whose very lives are a definition of what it is to be a Canadian. They are the ones who shrug off that cold wind that blows hard against the immigrant and refugee. They are the people who know that "public service" is not a dirty word.

There are a number of people in this room who epitomise what it is to be Canadian. To be fair, to be just, to care, to speak out against the tyrant and the demagogue, that's also what it means to be Canadian.

There are a great many privileges to being a Canadian citizen, but there are also a number of responsibilities. We need to define some of those responsibilities. We need to respond to what Canadian citizenship means in an ever-changing world. People must know that belonging is achieved through participation.

Canadian citizenship means respecting the rights and liberties of others. It means respecting and obeying Canadian laws.

I've heard that some children believe that to be a Canadian is to sing the national anthem at hockey games in two languages. Is that what it is?

Maybe.

I just read an immigration department report about newcomers to Canada from Africa who held a competition to see who could be the first to learn the national anthem and the first to see snow. Is that what it is to be Canadian?

Maybe.

Or is to be Canadian to listen to the Tragically Hip or Tracy Dahl on the CD player while you read Rudy Wiebe or Margaret Atwood?

Maybe, yet again.

Let me share with you what it means to me as we prepare to start a parliamentary process toward a new Citizenship Act for Canada. Like many of our citizens, I'm Canadian by choice. That doesn't make me special, but it does give a perspective to my beliefs and emotions. Those of us who are Canadian by choice may have a well-defined benchmark as to what it means. My parents are from Italy and I was born in Argentina. But folks: Je suis Canadien.

To me, being Canadian is best summed up by the word "compassion." It's the compassion of the caregiver, the compassion of the teacher, the coach—the random acts of kindness that sprinkle across our land like fresh, new snow. The compassion that is evident inside Canada reflects outside our borders as well. In Canada, when somebody gets sick they can see a doctor. When our citizens need help, they get it. Outside our borders, when the world needs help, our citizens put on blue berets of the U.N. or work through other agencies.

Canada wasn't simply created by a few slash marks with a fountain pen. Our nation has grown and evolved to mirror the rich diversity of our peoples.

Our laws and our courts are meant to treat all people as equals and I believe being a Canadian citizen entails tolerance and understanding of other points of view. It is an appreciation of the bilingual nature of our country and it is a respect for the original inhabitants of this land—the aboriginals—and a respect for the environment itself.

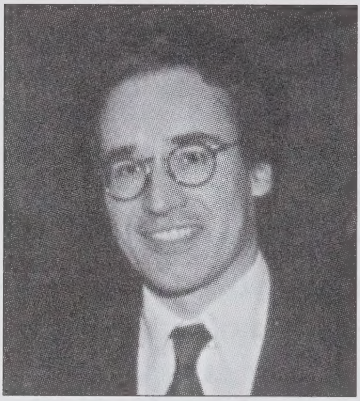
That is part of my definition, but I know that mine is not the only definition of Canadian citizenship. The definition of a Canadian is not meant to be slick enough to fit on a bumper sticker. It does, however, have to be cherished enough to fit in your heart.

I mentioned that chill wind driven by groundless fear that blows against the immigrant and the refugee in California and part of Europe. That's the kind of wind that whispers hatred. The only chill wind we need in Canada is the north wind. We can handle that. Always have. Always will. That's why God invented the toque.

Maybe what the world really needs is a Canadian Chinook.

Thanks for your time.

The appreciation of the meeting was expressed by Madeline Zito, President, Zitoflumian Communications and Director, The Canadian Club of Toronto.



January 26, 1995

Yves Doutriaux

Consul General of France

FRANCE HOLDS THE ROTATING PRESIDENCY OF THE EUROPEAN UNION FOR SIX MONTHS

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Willis Blair, Secretary, The Empire Club of Canada; Woganee Filate, grade 12 student, Harbord Collegiate Institute; Father Pierre Jean Courtot, Pastor, Eglise Sacre-Coeur; Jose Antonio Zorilla, Consul General of Spain; Roland Fournes, Consul General of Germany; Bill Whittaker, Q.C., Partner, Lette, Whittaker and Honorary Director, The Empire Club of Canada; Michel Finance, Vice-President, Finance, Connaught Laboratories Ltd. and President, the French Chamber of Commerce; Bernard Lette, Partner, Lette Whittaker and Vice-President, the French Chamber of Commerce; and Pascal Notte, President, Paribas Bank of Canada.

Introduction by John Campion
Richileu's Toast

At the dawn of Western European history, in the northern part of North America, permanently stands France. Cartier, Champlain, Richileau, Colbert and Talon. These names stand as giants of action and policy which continue to affect the world and Canada today.

When Prime Minister Chrétien spoke to the French Senate on December 3, late last year, he spoke under the watchful gaze of one man, who to many, most idealise the best in public service and who, with others, was a major force in the founding of Canada. Colbert's statue holds the central position in the Senate Chamber. Colbert organised Talon and others to save a struggling, small colony at Quebec and helped make Canada what it is today.

But predating that famous French civil servant was another man who not only had an enormous impact on Canada, but on our entire modern world. That man was Armand Jean Duplessis—otherwise known as Cardinal de Richileu.

Few statesmen can claim a greater impact on history. Richileu was the father of the modern state. He promulgated the concept of raison d'etat and practised it relentlessly for the benefit of his country. Henry Kissinger has noted that under his auspices, raison d'etat replaced the medieval concept of universal moral values as the operating principal of foreign policy and French policy.

Initially, Richileu sought to prevent the Hapsburg domination of Europe but he ultimately left a legacy for the next two centuries that tempted his successors to establish French primacy in Europe. Out of these ambitions, a balance of power emerged, first as a fact of life, and then as a system of organised relations between countries.

That balance of power transmuted over the centuries to the Congress of Europe in the 19th century and held sway as one of the central diplomatic and political policies in the world, right up until World War I.

Pope Urban the Seventh is alleged to have said of Richileu:

"If there is a God, the Cardinal de Richileu has much to answer for. If not, well, he has had a successful life."

Mr. Kissinger is confident that the great Cardinal would have been pleased by this comment because he knew that his policy transcended the essential pieties of his age. Perhaps he did not know that he would be one of the great founders of our modern world.

As I indicated, Richileu has had his hand in Canada and those early connections have continued to this day. Our Prime Minister visited France in December. The Premier of Quebec visited France this week. These meetings highlight the long and striking relationship between the people of France and the people of Canada. It is a powerful and emotional one. France stands as a founding nation of Canada. Citizens of Canada are part of the French diaspora.

While no direct governmental links have existed between France and Canada since the mid-18th century, France has remained connected to our country emotionally and practically through origins, language, culture, diplomatic exchanges and joint interests in the Francophonie in the world outside France.

For all civilized people of the world, the French have a special place in our hearts through their interest in high culture, their special personal sense of confidence, the participation of their citizens in the Enlightenment and its impact on Western political and economic traditions. French art continues to inspire us through the impressionists and many other schools of painting. French cooking, wine and cheese are standard bearers of excellence. French philosophical perspectives, as illustrated by Camus, dominated the post-World War II era as the world contemplated the futility of the violent world in which we lived and the hopeless terror of the early atomic era.

Paris is one of the cities that is a mecca for those interested in the history of building architecture and city planning. French sportsmen have become household words around the world and French fashion is everywhere in our lives. France has a powerful industrial base and is an important trading partner in the world.

Mr. Doutriaux has been the Consul General of France in Toronto since 1992. He graduated from the University of Lille with a degree in economics, graduated from the Institute d'Etudes Politiques de Paris with honourable mention, graduated from the Ecole Nationale d'Administration and finally, the University de Paris with a post-graduate degree in economics.

He has had an active career since 1979 in the Ministry of Foreign Affairs for France, serving in Tunisia, the Bureau of Economic and Financial Affairs de France as second councillor in France to the permanent mission to the European community and a participant in the Maastricht Treaty negotiations. He is the author of several books and many articles on European institutions and affairs. I am delighted to introduce him to the Club and ask you to welcome him.

Yves Doutriaux

What is France's perspective on the economic, financial and commercial policies of the European Union?

It is not very easy for a Consul General to represent his Ambassador. It is more difficult today, because my Ambassador was supposed to speak on behalf of his 15 European Union colleagues. I hope my weak shoulders will support such a heavy weight.

Europe has experienced a number of jolts since the decade began, some economic and some political. In Eastern Europe, new democracies have undertaken the difficult transition to market economies, in hopes of providing a better quality of life for their citizens and living in peace with their neighbours. To the south, the war in Bosnia continues, while other countries, most notably Algeria, are confronting Islamic fundamentalism and the occasional violence associated with it (such as the Airbus hijacking in Algeria last Christmas).

Within the European Union itself, there are those who doubt it is possible to move toward a single currency while enlarging the Union to include new members in Eastern Europe.

France is presiding over the European Council for six months, after Germany and before Spain. Six months is a short span of time to make an impression. Furthermore, French voters will be electing a new president of the Republic this spring. However, France, Germany and Spain are concentrating their efforts for the longer term.

Europe has recently admitted three new members to its ranks: Austria, Sweden and Finland. A new European Commission has been appointed and Jacques Santer, former Prime Minister of Luxembourg, is the new President of the European Commission, replacing Jacques Delors. A new parliament was elected by universal suffrage in 1994.

What are Europe's economic and financial prospects at the beginning of 1995?

Without a doubt, the economic recovery in Europe has begun; recent estimates have been revised upwards: +5 per cent in 1994, +3 per cent in 1995. Behind North America by about a year, the European economy is recovering as both investment and exports increase. Even though unemployment rates have recently started to fall, Europe is still struggling with joblessness. The considerable efforts by industry to increase productivity will likely postpone a quick decrease in unemployment rates, at least in the short term.

In this respect, France has the following three priorities for Europe: a return to economic growth and job creation; the establishment of a single currency, the écu; and the continued opening of Europe's economy to the outside world. Europe is not an inward-looking fortress.

We must reduce structural barriers to job growth: too many national and European regulations stifle the creation of jobs. A greater level of flexibility will help create employment. In this area, it would be useful for Canadians and Europeans to share their experiences.

We must begin work on the 14 European infrastructure projects, such as the high-speed train linking Paris-Strasbourg-Germany or Paris-Madrid. In the great single market of 400 million consumers, stronger and more rapid transportation and communication links will facilitate inter-European travel and the opening of markets.

We must build the information highway; millions of jobs can be created by the "information society." Europe must encourage innovation and private investment in this rapidly changing area to ensure Europeans are catching up with competitors in North America and Japan. For this reason, France would like to update European regulations ("television without borders") to reinforce Europe's ability to produce audiovisual material. France, much like Canada, is concerned about its ability to maintain its own audiovisual and cultural production in the face of an invasion of images from Hollywood. It is not only job creation that is at stake but, indeed, how we educate future generations and how we shape our children's imagination and awareness. Our world needn't be one of uniform images that ignores cultural diversity.

The great single market where products, workers, services and capital circulate freely has now been enlarged to include consumers and producers of three new countries. However, trading in the single market is hampered by fluctuations in exchange rates, a source of uncertainty for businesses who are obliged to pay higher transaction fees.

It is for this reason that Europe must actively prepare for the establishment of a monetary union and a single currency, the écu. The economic recovery in Europe—especially in France, and in Germany—provides an opportunity for the convergence of Europe's economies. There are, of course, several economic and financial prerequisites which, under the Maastricht Treaty must be satisfied before this can happen: we must limit budget deficit to three per cent and limit public debt to 60 per cent as a percentage of gross domestic product. Under the French presidency, the Union will continue the multilateral process of examining the economic policies of member-states, in addition to beginning practical discussions on the technical aspects of introducing the single currency, the écu. The introduction of the single currency should take place in 1997 or 1999, at least for those countries observing the criteria of Maastricht at that time (initially, perhaps six countries).

The recent devaluation of the Mexican peso has shown that an economic union and the convergence of economies are prerequisites to the establishment of a monetary union; the economies of Europe are much closer to one another than are the three signatories of NAFTA to each other. The improving economy in Europe is well-timed, given the next necessary step toward monetary union.

The European Union that we are in the process of constructing is open to the outside world. Europe is not an inward-looking fortress.

To begin with, Europe under France's presidency will establish a working dialogue with the countries of Eastern Europe (Poland, Hungary, Czech Republic, Slovakia, Romania, Bulgaria) in anticipation of their joining the Union somewhere around the year 2000. The purpose of these talks is to prepare these countries for the constraints and discipline of the great single market as well as for the rigours of free trade.

In co-operation with these countries, the European Union will try to address their pressing security concerns in the face of political and economic turmoil in the former Soviet Union.

At the political level, France will host a conference in Paris in March to adopt a pact on stability. This pact will promote good neighbourly relations and respect of minority groups throughout Eastern Europe. Indeed, the European Union wouldn't consider admitting new members that have not yet settled border disputes with their neighbours.

The European Union will continue to strengthen its relationship with Russia, Ukraine and the other former republics of the Soviet Union, to reinforce market policies and the rule of law. In Ukraine, the EU will ensure that previous agreements are carried out, notably the closing of Chernobyl.

France will also ensure that the prospective integration of Eastern European countries does not lead Europe to neglect its neighbours to the south. The Mediterranean area is a zone of primary importance for the EU, being a part of its development and security area. Under the French presidency, Europe will actively negotiate co-operation accords with the countries of North Africa, a customs union with Turkey, and an aid package for Middle Eastern countries that agree to join the peace process.

A conference will be held gathering the European Union and countries bordering the Mediterranean during the Spanish presidency.

Europe will be an active contributor in the setting-up of the World Trade Organisation (WTO), a body of regulations that guarantees open international markets as well as new rules and practices ensuring fair trade. Throughout France's presidency, the European Union will play a key role in ensuring a smooth transition from the 1947 GATT accord to the WTO, the establishment of committees to ensure trade rules are respected, the appointment of a new Director General, and implementation of dispute settlement mechanisms, including a body for hearing appeals.

In addition, the Union will negotiate China's and Taiwan's membership in the WTO and the inclusion of new sectors (aeronautics, steel, services). Our objectives in linking commerce with the environment and commerce with social standards will be discussed.

The European Union—which plays a pivotal role in world commerce (20.7 per cent of exports, 22.4 per cent of imports)—will hold its just place in the World Trade Organisation.

The EU and Canada have similar interests to defend within the WTO: with the possibility of unilateral action by the United States, Canada and Europe can both benefit from a reliable system of dispute settlement mechanisms.

The economic recovery underway in Europe allows us to plan new initiatives: eventual enlargement to Eastern Europe, a free trade zone with the Mediterranean region, the promotion of multilateralism within the WTO, and movement toward a single currency.

Europe must also, however, renew its institutions: how can the EU hope to play a leading role in world affairs when its structure was set up in 1957 for the six founding members? Numbering 15 at present, more than 20 by the year 2000, the Community must update the way it operates. Europe must also focus its attention on other ambitious projects: establishing a European army, for instance, in close collaboration with NATO and, therefore, with Canada.

The task is formidable. Care must be taken, however, not to give the impression to the world that Europe is too preoccupied with improving how its institutions function, to play its essential role in international affairs. Europe can, and will, fulfill its role in conjunction with its partners, among whom Canada has a pre-eminent place.

As a European, I am happy to see that the famous principle of subsidiarity enshrined in the Treaty of Maastricht could be exported to Canada: a week ago, Daniel Johnson at The Empire Club referred to this European principle of subsidiarity as a way to settle the matter of the relations between the federal government and the provinces.

Mr. McLaren, Minister of International Trade, has proposed to refer to the principle of subsidiarity to deal with international trade relations in the framework of the new World Trade Organisation.

The appreciation of the meeting was expressed by Bill Whittaker, Q.C., Partner, Lette, Whittaker and Honorary Director, The Empire Club of Canada.

Yves Doutriaux and Angus Scott, Honorary Director, The Empire Club of Canada.

October 25, 1994

Joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

His Excellency Leonid Kuchma

President of the Ukraine

UKRAINIAN-CANADIAN CO-OPERATION

Chairman: **Herbert Phillipps Jr.**
President, The Canadian Club of Toronto

Head Table Guests

Bohdan S. Onyschuk, Q.C., President, Canada-Ukraine Chamber of Commerce, Senior Partner, Smith, Lyons, Torrance, Stephenson & Mayer; His Excellency Hennadij Udovenko, Ukrainian Minister of Foreign Affairs; James Sylvester, President and Director, The Sussex Admiral Group Limited; Hon. Elaine Ziemba, M.P.P., Ontario Minister of Citizenship; His Excellency Victor Batiuk, Ambassador of Ukraine to Canada; David J. McFadden, Q.C., Chair, International Trade Services and Programs Committee, Board of Trade of Metropolitan Toronto, Partner, Smith, Lyons, Torrance, Stephenson & Mayer; Most Reverend Isadore Borecky, Bishop of the Ukrainian Catholic Eparchy of Toronto; John Yaremko, Q.C.; His Excellency Valerij Shmarov, Vice Premier of Ukraine and Minister of Defense; His Excellency François Mathys, Ambassador of Canada to Ukraine; Walt Lastewka, M.P., Chair, Canada-Ukraine Parliamentary Friendship Group; Anwar Heidary, Executive Vice-President and Director, The Sussex Admiral Group Limited; Oksana Bashuk Hepburn, President, Ukraine Canada Relations Inc. and Conference Chair, Doing Business with Ukraine; and John A. Campion; President, The Empire Club of Canada.

Leonid Kuchma

It is my great pleasure to address you here—at the heart of the Canadian business and financial community. That is precisely why it is here that I would like to speak in more detail about Ukrainian-Canadian co-operation, which is based on a long and special relationship.

As you know, Ukraine is entering the decisive stage of the market transformation of its economy. I recently presented a far-reaching programme of reforms to our Supreme Rada and, I am pleased to report, it was received with understanding and support. The programme is demanding, and will require that the President and the government of Ukraine have the resolve to enact tough measures. We are well aware that it is a difficult road that lies ahead.

That is why support on the part of the world community takes on special, even critical significance for us at this juncture. That we have now succeeded in reaching an agreement with the International Monetary Fund should prove, I submit, that we are serious in our intents. This complex programme of macro-economic reforms, which we developed jointly with the IMF, and the financial support that results from the agreement, considerably enhance our position in the field of international economic co-operation.

In its more than three years of independence, Ukraine has never come as close as it has now to making real market transformations. I believe it would be an unforgivable strategic mistake, both on our part and on the part of the West, not to take advantage of this new, possibly unique, opportunity. The timing is equally important. We in Ukraine must feel the benefit of your economic support now—as we implement these difficult reforms—not just after they been implemented. Your support now will inspire us and encourage us, and will be answered with enthusiasm and commitment.

Let me make one thing perfectly clear. My government and I are deeply convinced that these radical economic reforms are necessary, and we see no alternative to this process. We will therefore be implementing the policy of reforms with rigour and determination.

As you know, on the initiative of the Canadian government a conference entitled "Partnership for Economic Transformations in Ukraine" will be taking place in Winnipeg later this week. Representatives of the G-7 governments and of the leading international financial institutions will attend, and I will be addressing the conference. Representatives of the Ukrainian economic ministries and I intend to lay out in some detail our planned programme of economic reforms. I am convinced that with your understanding of the situation, the assistance of international financial institutions and our determined implementation of the economic reforms in Ukraine, we will at last overcome the economic crisis we face and gradually integrate our state into the European and global economies.

The economic programme I outlined to Parliament has six priorities, which I can briefly summarise:

The first priority is to stabilise the financial and monetary system.

Second, to introduce radical institutional changes related to property ownership, thereby establishing a modern structure of production and management.

Third, to introduce a structural policy aimed at developing, as a priority, the science-intensive and high technology sectors of our economy.

Fourth, to ensure continued development of the agricultural sector.

Fifth, to develop and implement up-to-date foreign economic policies, aimed at establishing an open economy and integrating Ukraine into the global economy. (I have touched on this point already and will deal with it again when I elaborate on the future course of Ukrainian-Canadian relations.)

And sixth—the last yet perhaps most important priority—is to put in place a social programme that will arrest the deterioration of our people's standard of living and bring about its gradual improvement.

This, briefly, is the direction we are headed, and I hope you will leave here today convinced that we are serious about pursuing this course unswervingly. For I am convinced that the reforms necessary to create this modern economy—one based on market principles—are crucial to our survival.

At present, we have begun the immense task of building from scratch the requisite market infrastructure. As a first step, we have begun to create in Ukraine a commercial bank network that works constructively with the National Bank. However, in the current state of economic decline this process is fraught with difficulties. There is a sort of vacuum—a lack of financial resources, especially hard currency, to finance production and economic development. This is why attracting foreign investment and credit is extremely important for us. Indeed, success in this realm is both a precondition and catalyst for developing co-operation in other fields of economic, scientific and technical development.

I believe that developing financial and credit relations, and co-operation between Ukraine and foreign banks, could start right here in Toronto. The time is ripe for us to discuss ways to develop relations with the leading Canadian banks, and we have started to do so with the Canadian Imperial Bank of Commerce, the Toronto-Dominion Bank and the Royal Bank of Canada. So it is only logical that the central banks of our countries—the Bank of Canada and the National Bank of Ukraine—should also establish a more favourable environment for these bank ties to flourish by concluding an interbank agreement.

Ukraine is one of the largest European countries, not only in terms of area and population, but also in terms of scientific and industrial potential. Why then is it virtually unknown in the business circles of Toronto, specifically, and Canada, in general? On the one hand, Ukrainian industry is well equipped to manufacture and export to Canada and elsewhere any number of modern, especially high-tech, products.

Yet so far, the volume of trade between Ukraine and Canada remains, frankly, insignificant. Now, we appreciate that there are explanations for that. We realise that export and import conditions in Ukraine appear rather complicated, what with the various seemingly unjustified procedures and numerous bureaucratic obstacles that discourage a potential partner's interest in the Ukrainian market.

That is precisely why we are now starting, in earnest, to remove these obstacles. The export system is going to be simplified. Indeed, one of my first acts as President was to issue a number of decrees to address these problems—one decree, in particular, "On Improving Currency Regulation," and another "On Measures to Ensure Currency and Export Control." These changes have begun to improve the situation but, naturally, they are only a beginning. They are, however, an indication of the changes which are yet to come as we transform our system into a market economy.

As far as Ukrainian-Canadian trade relations are concerned, both government and business have taken the first steps to nurture these relationships. Last March, for instance, the Inter-governmental Agreement on Trade and Commercial Relations was signed. At the same time was signed a Joint Declaration on Special Partnership, which provides considerable incentive to develop Ukrainian-Canadian relations. Just yesterday, in Ottawa, we signed an agreement to establish an inter-governmental commission for economic, scientific and technical co-operation.

Trade circles in both countries are becoming more active, as well—as today's conference organised by the Canada-Ukraine Chamber of Commerce clearly demonstrates. To make our trade contacts with Canada more active, we have just this summer opened a trade office in our Consulate General here in Toronto. We have taken the first steps to develop contacts with the Canadian Exporters Association, and there is considerable potential for co-operation with the Canadian Importers and Canadian Manufacturers Associations.

By the way, this past spring, our Embassy brought these associations together with the Ukrainian Union of Industrialists and Entrepreneurs, which includes 96 manufacturers in the electronics industry, 128 producers of agricultural machinery and the leading enterprises of practically all branches of the Ukrainian economy. This is a voluntary organisation that brings together numerous companies—without regard, I might add, for the form of ownership. In other words, it involves newly privatised companies, as well as state-run and co-operative enterprises.

One of the most attractive forms of commercial co-operation—at least, to judge by its success to date—is the joint venture. Canadians and Ukrainians have set up literally dozens of joint ventures in our country, many of them in the priority sectors of our economy. This type of project successfully combines the needs and potential of both Ukraine and Canada. These ventures work because Ukraine not only possesses extensive raw materials for manufacturing, but also has considerable scientific knowledge and a highly qualified work force.

Combining these conditions with modern Canadian technologies, management skills and marketing expertise allows us to develop products destined not only for Ukraine's domestic market, but also for export to third countries.

This is what we need in Ukraine: the technologies, the management skills and the marketing expertise. These are the kinds of things you can share with us without worrying about the long distance that separates our countries. These are not the kinds of things that depend on uninterrupted transportation to be of benefit.

One promising area of co-operation, then, is joint manufacturing in Ukraine for the transportation industry. For example, shipbuilding, carriage building and aircraft production all require considerable amounts of metals, construction materials, assembly skills and so on, which we have, and also require the latest technology from you. From an economic viewpoint, establishing joint ventures is fully justified in the science-intensive and low material-intensive industries, such as electronics, telecommunications and light and medical industries, where the volume of foreign inputs is usually small.

There are quite a few examples of such Ukrainian-Canadian co-operation, and many new areas to be explored. For example, in the light industry, Canadian partners can contribute their share not only in technologies, but also in raw materials, and can take finished products to Canada as well as to the markets of other countries. Similar areas are the pharmaceutical and biotechnology fields—areas which, I know, are well developed in Toronto. We know that the existence of a thriving biotechnology industry accelerates the production of pharmaceuticals. We will be actively promoting investments in this field for Ukraine because we need these medical products.

The potential for co-operation with companies in Toronto and in the province in general is tremendous. We can use your help in a variety of areas, including electronics production techniques, the application of telecommunication technology and food processing, to name but a few.

And we have a lot to offer you. Ukrainian scientists have outstanding scientific knowledge and can help with the fundamental and theoretical scientific developments that interest Canadian firms. We have expertise in space, aviation, maritime research and technologies, electrical welding, power engineering, new materials, mathematics, nuclear physics, biology, information science and cybernetics. In addition, conversion of the military industrial complex, and the accident management programme at Chernobyl present great potential for co-operation. For example, we propose to use Ukraine's expertise in ballistic missiles for commercial projects and scientific research. We believe the low price we can offer for such launches will open a new market for us and, if managed properly, could save the industry.

In short, ladies and gentlemen, it is difficult to name a field in which there is not the potential for collaboration between Ukraine and Canada. And there is no better time than now to take advantage of the opportunity.

Ukraine does have considerable scientific, technical and industrial potential and has already demonstrated world-level developments and achievements. Yet, the shift from our old production arrangements (with their assured markets in the former Soviet Union) toward a market economy has left us with shrinking markets and uncertainty. As a result, production in our factories has slowed down or, in some cases, ceased. It is vital that we breathe new life into our factories, to start them going again with an impetus for further development. That is why we need foreign investment and expertise. And when our potential is realised, Ukraine will not be the only one to benefit: so, too, will those companies that showed confidence in Ukraine and invested in joint ventures.

We want to do business with Canada—indeed, with all countries—and we are convinced that this co-operation will be mutually beneficial. But for that potential to be realised, naturally, first we need capital, assistance and, equally important, mutual understanding.

I cannot finish without saying a few words about opportunities for co-operation in the agri-business sector, especially in the field of processing agricultural products.

The world knows that nature has endowed Ukraine with fertile lands. It is heart-breaking and frustrating to see my country lose 20 per cent, 30 per cent, or sometimes even more of its harvest because of the inadequacy or absence of food processing and storage technologies. That is why we have singled out this field as a priority. That is why we are interested in attracting Canadian and other foreign technologies in this area for joint ventures (such as the Ault Foods project, for instance). With proper processing and storage of our agricultural production, we could become not only self sufficient once again, but major exporters of food, earning the hard currency which we need for energy, rather than spending it. Of course, the foreign partner would also benefit from such an outcome.

In conclusion, let me emphasise that now, as perhaps never before, we have the right conditions for Ukrainian-Canadian co-operation. I am grateful that your Prime Minister, Jean Chrétien, and your government not only comprehend, but also actively support this process. Many of their recent actions testify to this. But you, too, have a role. You, in this room, represent one of the most influential business circles in Canada. The realisation of the huge potential of Ukraine and Canada through co-operation between our two countries depends to a large extent on you. I wish you every success in this activity, and continued prosperity to the city of Toronto and this wonderful province.

Thank you.

The appreciation of the meeting was expressed by John A. Campion; President, The Empire Club of Canada.

The Golden Horde Settles The Prairie

The Iron Curtain and the ideological wall of communism that has, through historical and political happenchance, dominated much of this century, has hidden Ukraine as a separate place from our deep understanding and easy view.

We Canadians, too, are from Ukraine. Ukrainian forebearers from the lands resting between the Carpathian Mountains in the West, the Black Sea in the South and east across the Dneister, the Dneiper and the Don Rivers, to the unmarked divide between the European and the Asian Steppe lands, have made their magnificent contribution to our country.

In three waves, the peoples who had been agriculturalists in your land since the 6th century AD, and who were known as the Slavs, came to Canada to seek a new life.

The first arrived in 1891 from Galicia and Bukovyna, drawn by land prices at $10 per 160 acres.

Before 1914, 170,000 Ukrainians had come to build Canada. Eighty-five per cent settled on the Prairies and faced a back-breaking and solitary struggle against nature. Seventy thousand came in the inter-war years and 30,000 came after World War II.

Through gnawing homesickness, psychological insecurity, alienation and some time discrimination, Ukrainians prevailed and helped make Canada a plentiful and peaceful land.

These Canadians brought stories of an ancient and exotic land of romance intimately connected to the wooded lands and steppes that stood between Asia and Europe, that stood between the Mediterranean world and the largest land bridge on earth and stood between the Baltic States and the Ottoman Empire.

As a mark of the ancient, Ukraine is:

(a) a land mentioned by Homer in the Odyssey as the land of the Cimmerians;

(b) a land known in the Old Testament as being inhabited by the fearsome Scythians.

As a mark of the exotic, sometimes glorious and sometimes painful, Ukraine:

(a) was the regional powerhouse from 880 to 1240 A.D., when Kiev was the centre of trade, politics and military might;

(b) was the object of military defeat by the Mongols, headed by the grandson of Ghengis Khan, when they destroyed Kiev in 1240;

(c) was the origin of the Cossacks, free and masterless men who used their culture and fortress to attack the Tartars and the Ottoman Turks;

(d) was at the cross-roads of empires: that of the Golden Hord, the Polish-Lithuanian, the Austro-Hungarian and the Russian Empires; and

(e) finally suffered under the fierce policies of Stalin and the brutal military attacks of Hitler.

Now, since December 1, 1991, when 90 per cent of the voters in Ukraine voted for independence, we have begun to walk through that destroyed wall and lift that much-discredited curtain.

We now see an ancient land and a proud people and are pleased to know them and their history better. Their history is ours in Canada too. Mr. President thank you for your magnetic and graceful speech.

Duncan Jackman, Director, The Empire Club of Canada and Peter Munk, Chairman and CEO, American Barrick Resources Corp.

August 22, 1994

Joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Her Excellency Mary Robinson

President of Ireland

CHANGE IN MODERN IRELAND

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

David Edmison, Investment Counsellor, Martin, Lucas & Seagram Ltd. and 2nd Vice-President, The Empire Club of Canada; Catherine Graham, Chairman, The Ireland Fund of Canada; Joseph Murphy, President, Murphy's Potato Chips; Dr. Annamarie Castrilli, Chairman, Governing Council, University of Toronto; Matthew Barrett, Chairman and CEO, Bank of Montreal; Marilyn Pilkington, Dean, Osgoode Law School, York University; The Hon. R. Roy McMurtry, Q.C., Chief Justice of the Ontario Court; Montague Larkin, Chartered Accountant, a Past President, The Canadian Opera Company and an Honorary Director, The Empire Club of Canada; Shelagh Rogers, CBC Broadcaster, Host of The Arts Tonight; Nicholas Robinson, Chairman of the Irish Architectural Archive; Hilary M. Weston, Deputy Chairman, Holt Renfrew & Co. Ltd. and Founder, The Ireland Fund of Canada; His Eminence G. Emmett Cardinal Carter, Archbishop Emeritus of Toronto; and Herbert Phillipps Jr., President, The Canadian Club of Toronto.

Introduction by John Campion
Irish Isle in the St. Lawrence

Ireland oh Ireland
How you do attract us;

Her poets, playwrights and writers elevate and elucidate,
They remind us of our humanity;
Her tragedies strike a cord;
a dissonant note in the past,
an explosion of pain in the present;
Her history belongs to us Canadians,
those who were drawn directly from her soil
and those who would hear the
stories of famine and new life in this country;
And we would become Irish with them;
Her songs haunt us yet as we
move and toil in this land of ours,
Bringing us rich pleasure, not only
in the joy of a tune, but also in an infectious smile and
an open-eyed glint
Ireland oh Ireland
How you do draw us near.

In trying to understand the undeniable attraction of President Mary Robinson, I could only note that part must surely come from the magnetism of being Irish.

I asked myself, though, why did President Mary Robinson choose her role as Head of State? Why?

The presidency has been described as a largely ceremonial function that constitutionally forbids its holder from speaking out directly on political issues.

Mary Robinson was an activist

- a brilliant law student
- a barrister in Dublin and London
- the first female professor of law at Trinity College, Dublin
- a campaigner for the right to divorce
- freedom of choice on abortion
- equal rights for homosexuals
- the toning down of the claim of the Irish Republic to sovereignty over Northern Ireland
- she was the youngest woman to enter the Irish Senate

What inspired Mary Robinson the activist to run for President?

I believe I have a simple, albeit partial answer.

Mary Robinson is herself an artist. By her actions as President, she has not only become a symbol, she has used symbolism as a master poet would.

Hear how James Joyce expressed it through his character, young Stephen Dedalus:

“Ireland is an old sow that eats her farrow
To live, to err, to fall, to triumph, to recreate life out of life!

The artist, like the God of creation,

Remains within or behind or beyond or above the handiwork, invisible, refined out of existence,

Indifferent, paring his or her fingernails."

President Mary Robinson has made her views felt through the exercise of power and the power of symbolism.

- she attended mass in prison;
- she entertained organisers from a centre for battered wives; she has visited women's groups;
- she has invited members of the gay and lesbian communities to visit her;
- she is the first President of Ireland to visit Northern Ireland;
- she preferred the controversial Matrimonial Home Bill to the Supreme Court of Ireland for review;
- she has become a symbol of her country's European aspirations and of its renewed self-confidence and national pride.

President Mary Robinson is not the indifferent, invisible artist of James Joyce but, as a hint to her success, she stands with Joyce as a brilliant artist of symbolism. It is with great pleasure that I ask you to welcome President Mary Robinson.

Mary Robinson

When I took on this office, I said that the Ireland I sought to represent was open, tolerant and pluralist. I made this statement in the awareness that my own election was a signal of those very things. And yet I want to emphasise that this is neither an abstract nor an intellectual statement. I was deeply conscious of taking office in a beautiful and historic country, with a powerful tradition of suffering and a striking narrative of overcoming that suffering. A country which is now a modern European state, yet one which has retained the capacity, through that suffering and that history, to reach beyond its own borders, and beyond its own cultural frontiers, to enter imaginatively into the distress of a famine in Africa, as well as to take enormous pleasure in the music and the literature of other countries.

It has been my enormous privilege in this office to see the energy and vitality released by the constant dialogue between a past we cherish, but are not confined by, and a present which is enriched by all sorts of experiments and innovations. In a single week I may be asked to open a heritage centre in a small village west of the Shannon, where careful excavation has revealed the wonderful sight of a medieval monastery and the stone walls of the earliest settlers. But at the same moment, sometimes on the very same day, I may find myself opening a modern sports hall or a women's resource centre. And what binds both kinds of projects, what brings together these apparently contrary intentions of honouring a past and servicing a present, is always the same thing which I find most moving and impressive on these occasions: it is the sophisticated, integrated method of approach, and the deeply generous co-operation, through which communities define themselves—across different tasks and diverse backgrounds—finding in the end an identity of spirit which is inclusive.

In Ireland we have a word—the Gaelic word "meitheal"—which may have no exact translation, but has a profound meaning for us. Roughly explained, it means the spirit of co-operation and sharing between neighbours, which is that wonderful mixture of downright common-sense and imaginative understanding by which communities survive and thrive. It has always been there in the rural communities, in which each farmer saved the other's hay, and therefore had his hay saved before the weather turned. It may well be something, in fact—to reverse the usual process—which the town has learned from the country. In any case, I see it as a radical and informing spirit in so much of what is new, innovative and exciting in modern Ireland.

It is there in the cultural sense in the way our classical violinists co-operate with our traditional fiddlers to explore the boundaries of Irish music. It is there in a practical sense in the place I come from, Country Mayo, where a local enterprise centre in Kiltimagh has been restored by the local people, who have also restored a forge and made a playground, using the materials they have to secure a future which could have been in doubt. It is there in the way our local computer bulletin boards are opening the information highway to young Irish people, while making available to them opportunities for employment, information about theatres, and services for those with disabilities. This neighbourly spirit not only seems to me to be radical, but I have seen with my own eyes just how resilient it is. In my visits to Northern Ireland, I have been present at the opening of the inner city development in Derry, of a heritage centre in Dungannon, and an enterprise centre in Belcoo. In all places the concept of "meitheal" has been truly tested. And it has stood the test. All these projects are the outcome of cross-community co-operation in circumstances in which great stress has been put on the very idea of co-operation.

In the same way, some of the most moving occasions of my presidency have been the opportunities I have had to meet representatives of women's groups and voluntary organisations from Northern Ireland who have visited me in Dublin. It would need someone more eloquent than I to tell you just how poignant I found sitting in a room with a woman from the Falls and one from the Shankill, and with others from similar neighbourhoods, listening to them discover and emphasise how the bond and the concerns they share as women have survived and continue to survive the enormous pressures of division and conflict.

I come before you today, therefore, as a direct witness of the constructive energies and exciting changes which are happening in modern Ireland. I do believe they tell a story of that pluralistic, open and tolerant society I was elected to represent. But of course it is not the whole story. We live in a society and a country which has been scarred by violence for a quarter of a century. Whatever else we can say about that violence I think we have to recognise that it marks—in the broadest sense—a failure of dialogue between diverse cultures, viewpoints and traditions. And rather than dwell on the griefs of the present, which every one of us who has the interests of Ireland at heart must feel, I think it is right to look to the future and reflect in the widest sense on how we can encompass a respect for difference in our democratic values, and how we can commend to our children the view that cultures, traditions, and histories are deepened and not diminished by sharing. I am far from complacent about such a process, but I think we should undertake it as a challenge and a responsibility. Let me therefore start that process with a few of the demanding questions I believe we in modern societies need to ask.

To start with, we cannot commend any view to our children merely as an imposition of opinion. They need to be encouraged and persuaded. But what steps are we taking in our schools—in our history classes, in our school projects—to make them understand realities which are different from their own? How can we make them see the enormous and simple wisdom in Alice Munro's line from her story *The Progress of Love*: "I saw that I had to give up expecting people to see it the way I did."

And then, what steps are we taking to provide a legal and political framework to protect and affirm the rights of cultural and ethnic minorities? I was particularly struck on a recent visit to the Council of Europe in Strasbourg to see that the protection of rights there has widened from the protection of individual rights, in which they have been so successful, to developing a framework for the protection and enforcement of minority rights. The need to do this has been made more urgent by the accession to the Council of new members from Central and Eastern Europe, countries which stand in need of such a framework, many of them having substantial minorities within their own territories or within a neighbouring state. The Joint Declaration adopted by the British and Irish governments last December represents an agreed-upon set of principles recognising the aspirations and cultures of both traditions—nationalist and unionist—in Northern Ireland and the equal respect due to them.

Apart from the formal frameworks of a legal or political system, how are we to develop a pragmatic vision of history, a vision in which the interests of people are placed before allegiances to ideology or group, and where concession or compromise is not regarded as an abandonment of the past, but as a way in which the past can be translated into a hopeful and constructive future? I think the recent events in South Africa show that this is possible, if there is goodwill and a creative view of change. I think the new developments in the Middle East hold out a similar hope.

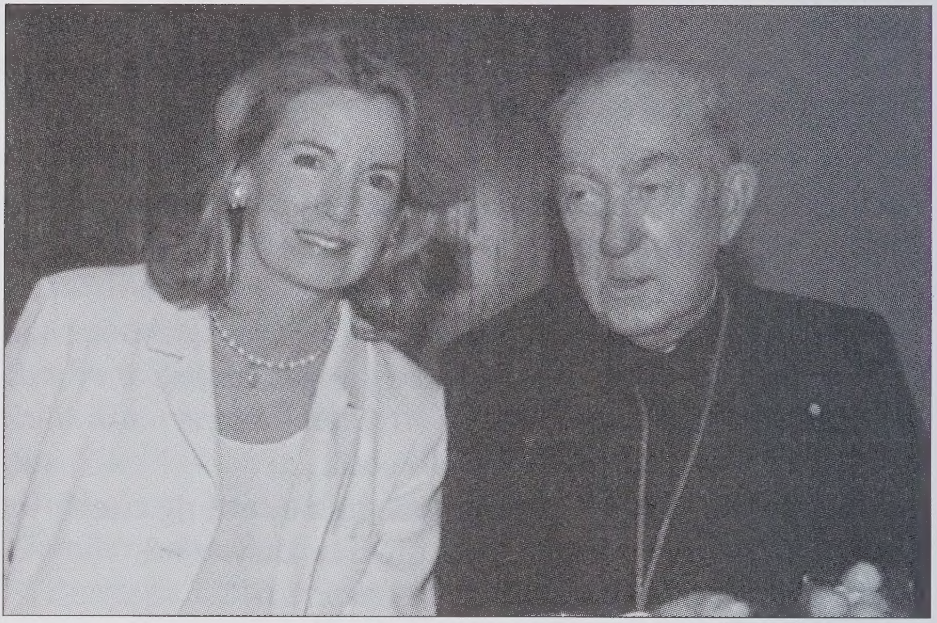
Perhaps I can return to that word "vernacular" and with it to the start of my speech. I have seen through this office that the true vernacular of change is not found in books, nor does it come from traditional pronouncements or by holding on to the customs of the past. The true vernacular seems to me to be what is being achieved by the local self-development I have described: the small yet powerful neighbourly acting together. On the island of Ireland, there is a widespread yearning for peace and reconciliation, which the two governments are working so hard to achieve, and yet a difficulty in opening up the very dialogue which would facilitate this. Perhaps, after all, the key lies in our midst. It may be that the way of doing things by the local groups and communities and networks can point the way. They listen to each other, respect each other, are open to each other and seek ways forward that accommodate each other.

There is a powerful and poignant statement by the Ulster poet John Hewitt in a poem called *The Scar*. I quote it here because I think it conveys the force of the random act of humanity out of which new understandings come. He tells the story in the poem of his Protestant great-grandmother who opened her window in the famine of 1847 to help a Catholic famine victim. She contacted typhus and died. And in that suffering Hewitt found an emblem of the shared suffering out of which imaginative understanding often comes.

THE SCAR

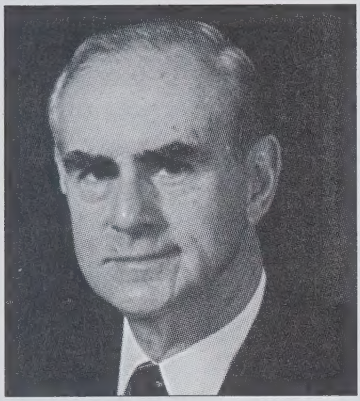
There is not a chance now that I might recover
One syllable of what that sick man said,
Tapping upon my great-grandmother's shutter
And begging, I was told, a piece of bread;
For on his tainted breath there hung infection
Rank from the cabins of the stricken West,
The spores from black potato-stalks,
The spittle mottled with poison in his rattling chest;
But she who, by her nature, quickly answered,
Accepted in return the famine fever;
And that chance meeting, that brief confrontation,
Conscribed me of the Irishry forever.
Though much I cherish lies outside their vision,
And much they prize I have no claim to share
Yet in that women's death I found my nation,
The old wound aches and shows its fellow scar.

The appreciation of the meeting was expressed by Herbert Phillipps Jr., President, The Canadian Club of Toronto.



Hilary Weston and His Eminence, G. Emmett Cardinal Carter, Archbishop Emeritus of Toronto.

The Hon. Roy McMurty, Chief Justice of the Ontario Court, Nicholas Robinson, Chairman of Irish Architectural Archives and Her Excellency, President Mary Robinson.



December 15, 1994

The Hon. Henry N. R. Jackman

Lieutenant Governor of Ontario

CHRISTMAS LUNCHEON

Seasons Greetings from the Lieutenant Governor
and
Special Performance by the Toronto Mendelssohn Youth Choir

Head Table Guests

Larry Stout, CTV Journalist and Broadcaster and a Director, The Empire Club of Canada; Jessica Young, grade 12 student, Humberside Collegiate Institute; Terry Thompson, Executive Director, Share Life; Heather Brazier, Author of *Which Do You Prefer: Chunky or Smooth?*; Dr. Robert Gordon, President, Humber College of Arts and Technology; Patsy Jordan, National President, Congress of Black Women of Canada; Bishop Terence Finlay, Anglican Bishop of Toronto; Maria Roman Bricknell, Account Supervisor, Fleishman Hillard Inc. and a Director, The Empire Club of Canada; Davies Bagambire, Executive Director, African Canadian Legal Clinic; Rob Fear, hoping to qualify in the international 470 class sailing competition in Atlanta Georgia for the 1996 Olympic Games; Elyse Graff, Executive Director, Canadian Council of Christians and Jews; and George Fierheller, Vice-Chairman, Rogers Communications Inc.

Introduction by John Campion

I have two introductions to make today, both of which give me profound pleasure, for both of them celebrate excellence, public presentation and in many ways the best of what we are as a particular community and as human beings involved in a continuum. These two introductions involve a Queen and angels, public duty and public performance, civility and true glory.

Let me first in introducing our special guest, the Lieutenant Governor of Ontario turn to the Queen, public duty and civility. Her Majesty is our fondly regarded Head of State. Government reports and public life in our country act in her name. She graces our currency and sets an example of public duty and civility. His Honour, Colonel, The Honorable Henry Jackman is Ontario's 25th Lieutenant Governor since Confederation, and the 39th Lieutenant Governor since John Graves Simcoe arrived in Upper Canada in 1791.

I wish to remark on two significant aspects of His Honour's contribution to our province and our country. Firstly as a citizen, he was a successful businessman, a contributor to culture such as the Canadian Opera Company and Stratford Shakespearean Festival, to community care such as Regent Community Health Centre and the Canadian Foundation for AIDS Research. His contributions are legion in international affairs, politics, education, the church and charity. All have felt the fine touch and the vigorous effort of our guest as a citizen. But as Lieutenant Governor he is a wonderful example of a person who fits the definition to those whom much are given, much is expected. Our Lieutenant Governor since 1991 has represented Her Majesty and served Ontario with dignity, civility, style and humour. He brought much to the Office in fulfilling his duties. He reminds us of the best of tradition and heritage.

I would ask you please to give him a warm welcome. He's our friend, a former Past President of The Empire Club, His Honour, the Lieutenant Governor of Ontario, Hal Jackman.

Henry N.R. Jackman

Thank you, John, for your very gracious words.

It is a real delight for me to be back at The Empire Club podium once again. As your President mentioned, I had to do this once a week for, I think, 30 weeks in a row when I was President of this Club in 1971–1972. At the end of every Thursday afternoon lunch, I used to walk up from this hotel back to my office and I'd say, "Five down, 23 to go… Six down, 22…" My brother Eric understands that perfectly.

It is a pleasure and an honour for me to come back here, particularly at Christmas time as your Lieutenant Governor to bring greetings and best wishes to you all. The Empire Club has always had a great place in the life of this city. It has brought forth to the business and community of this city speakers of prominence, representing all points of view. We have always adopted an attitude of tolerance towards every speaker, as can be seen from the very fact that we have had many Liberals in a row and you haven't had any trouble from your board of directors, John…

But at any rate, I go to a lot of events and I have the privilege of bringing Christmas greetings to you from Her Majesty the Queen. And this is The Empire Club, which has a very special meaning to me. I bring these greetings with more than a dose of warm feeling towards all of you. We have a magnificent choir. I don't want to say anything more. I'm looking forward to hearing some wonderful young voices. Merry Christmas to you all and have a happy New Year.

Thank you.

Introduction by John Campion

Let me now turn to angels, public performance and true glory. We have as very welcome guests in our audience two special angels that I will, with your indulgence, introduce to you. And a group of angels known as The Toronto Mendelssohn Youth Choir.

Firstly my two angels are my daughter Vanessa and my goddaughter Adeline McNaughton. They are students at the Mabin and Whitney schools here in Toronto. They are with their mothers including my wife Joanna and their grandmother Mona Faughty. I would ask you all and all little people in the audience wherever they may be to rise and have us welcome them.

Secondly there are the angel voices of our guest choir. The chorus in our society can be traced to a time 700 years before Christ. A fourth-century author said of song as follows: "Song awakens the soul to a glowing longing for what the song contains. It banishes wicked thoughts. It acts like dew to the soul making it fertile for accomplishing good acts. It is a healing ointment for the wounds suffered in the battle of life." The Toronto Mendelssohn Youth Choir is known for its superb, musical quality. It brings pleasure wherever it goes and is an ambassador for this city, this province and Canada as it appears in this country and around the world. It is conducted by Robert Cooper. In its song it has provided ointment and true glory for us all.

I would ask you to please welcome them to The Empire Club's Christmas lunch.

The Toronto Mendelssohn Youth Choir gave a presentation.

The appreciation of the meeting was expressed by Larry Stout, CTV Journalist and Broadcaster and a Director, The Empire Club of Canada.

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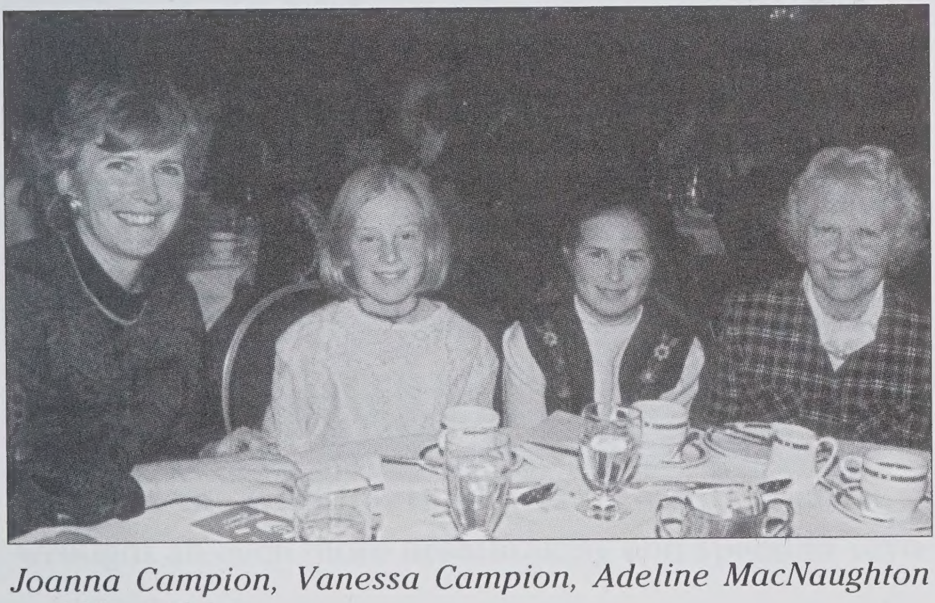
CANADA

Colonel The Hon. Henry N. R. Jackman, Lieutenant Governor of Ontario.



Joanna Campion, Vanessa Campion, Adeline MacNaughton and Mona Fahey.

Toronto Mendelssohn Youth Choir.

PART V—GOVERNMENT AND POLITICS

As the changes in real incomes of Canadians have gone from steady increases in the 1950s and 60s to increasing by small increments in the 70s and diminishing real incomes in the 1980s and 90s, Canadians have become electorally less predictable. Ruling elites, fundamental policy assumptions, political institutions, long-cherished political parties and respect for authority have been jettisoned in favour of a continuous and volcanic search for prosperity, well-being and freedom from anxiety. The perceptions of the voters have become so cynical and volatile that a two-term government seems as likely as two back-to-back world championships for an athlete or a team.

These sketches recite societies and institutions which have successfully weathered such societal cataclysms in the past: King George III lost the American colonies (Minister of Finance); Lord Liverpool watched anxiously as the French Revolution followed thereafter at the end of the 18th century; Queen Caroline in the 1820s spawned a revolution for women that continues to reverberate through our view of the world (Lyn McLeod); the late 19th century brought us the rise of socialism and the maturation of nation states in Europe and America (Premier of Ontario and Council for Canadian Unity); the 1920s brought Lenin's revolution in Russia and Canada's revolution in state activism (Paul Martin and Jean Charest); technology changed the world in the late 18th century and has wrought an even more breathtaking and speedier revolution 200 years later as we close in on the second millennium (Federal Minister of Intergovernmental Affairs); and finally, the 1990s have left the Western world anxious and in retreat (Premier Harris).

Many people have jettisoned any historical perspective and replaced it with political hedonism. Elites who hold the interpretive key to the past and its relevance to the present are confined to distant towers. Change is upon us and a force in its own right, for its own sake. Will our leadership find a new balance amidst these shifting continents and sands? Possibly, but population growth, nature's revenge through disease, limited resources and new impersonal world-wide forces present awesome challenges for the political leaders of the next millennium.

August 30, 1994

Joint meeting of The Empire
Club of Canada and The
Canadian Club of Toronto

Bob Rae, Premier of Ontario, Gary Filmon, Premier of Manitoba and John Savage, Premier of Nova Scotia

PREMIER BREAKFAST

Chairman: **Herbert Phillipps Jr.**
President, The Canadian Club of Toronto

Introduction by Herbert Phillipps Jr.

We would like to thank the three premiers who have joined us for taking their time out from their busy schedule to come and answer your questions today. They are Premier Bob Rae, Premier Gary Filmon of Manitoba and Premier John Savage of Nova Scotia.

The annual Premiers' Conference is in its 35th year although it can be traced back to the occasional meetings of the premiers that began in 1887. Discussions at these highly visible forums focus mainly on major federal-provincial issues. At this year's conference the agenda is made up of four substantive issues—interprovincial trade, federal-provincial relations, social policy and aboriginal matters. No doubt Quebec and Confederation will be discussed with the Quebec provincial election just two weeks away.

I would like to say a few words about today's programme. Premier Rae will give a brief address on the conference and the major issues on the agenda. Following that, he and the Premiers Filmon and Savage will answer your questions. You will notice that there are two microphones on the floor set up so that you can ask the questions. I request that you approach the microphone so that they can be recorded by radio and television as well as for the rest of the audience here so they may hear your questions.

Without further hesitation, I would like to call upon Premier Bob Rae.

Bob Rae

Thank you very much, Herb. Members of The Canadian Club and The Empire Club, my fellow Premiers and supporters all: I am delighted to be here today to talk to you briefly about the Premiers' Conference and answer some of your questions. I hesitate to say "answer" (or "not answer") but we will do our best to address the issues that you raise. It is a great pleasure and an honour for us here in Ontario to be welcoming the Premiers. This is a traditional meeting that has been held for a great many years, and I've been attending them since my election in 1990. I'd just like to make a few points about what's been happening recently in terms of the co-operation of the provinces with the federal government and about what I see as an emerging approach that, I think, is more emergent now among the provinces and among governments than at any time in recent history.

First of all, let's look at the economy. I will touch very quickly on what's happening in Ontario and then turn to some of the other changes that are underway. It's important to remember that total employment across the country is now almost back to the peak that was reached in April of 1990. The unemployment rate has fallen from eleven and a half per cent in January to just over 10 per cent in July. Here in Ontario, the unemployment rate is under 10 per cent at 9.6. From February to July the Ontario economy created 90,000 net new jobs. All of this increase has been in the full-time job category. Job creation has taken off and we now feel very strongly that it will continue to grow as the economic recovery strengthens. Our real GDP is expected to grow by over three per cent in 1994, and for 1995 through to 1997 we project it will grow by over four per cent. While that's happening, we should be creating well over 100,000 new jobs per year, every year through to 1997.

So as your premier I say this with some emotion: after a number of years (1989, 1990, 1991) in which we were not going in the right direction in terms of our economy, now we really are. Growth and government spending are firmly under control. We are creating thousands of new jobs, deficits are coming down. Business and consumer confidence is rising. Exports are up over 13 per cent this year over last, and last year was a record year over the year before. So it really is a remarkable turnaround.

I've deliberately asked a Western premier, and an Atlantic premier, a member of the Liberal Party and a member of the Conservative Party, to join me on the platform. No doubt there will be some differences among us, but by and large (hope the Premiers will agree) there is a remarkable degree of consensus among all the premiers about what now is happening and what needs to be done. And this is a very significant change for Canada. I don't think we should underestimate the importance of the very strong degree of consensus among us. We agree that job creation is the top priority and that structural changes must be completed to make the economy strong. I've asked Premier Filmon to lead the discussion on removing barriers to trade within Canada. That was the basis of a recent federal-provincial trade agreement and we are continuing work to strengthen and extend that agreement. There's consensus that our social security system needs to be reformed to move it along the road from passive income support to active preparation for the job market. There's a very strong consensus that the links between schools and the job market should be stronger in order to give young people a more effective transition from school to work.

Each province is undertaking these changes and reforms. If you talk to people in Saskatchewan, or British Columbia, or Nova Scotia, or Prince Edward Island, or wherever you like, you discover that our health-care system is one of our great national treasures. But it too must be renewed. We must do more to make sure that there are stronger disease-prevention and health-promotion measures in place, that we are doing more to assist the community, that we are able to deal effectively with the problems and challenges of an aging society and that we've got the resources to do that without constantly spending new dollars.

What happened in the eighties was that budgets kept going up almost out of control in response to a series of demands. We've all had to learn the hard way that we want to protect and preserve our universal system. That requires strong leadership and some very tough decisions. There's consensus that governments shouldn't do things alone. We have to forge effective partnerships with business, labour and social organisations. Again, in every province, you will find an attempt to build consensus within that province, an effort to get groups to work together, and a determination to see governments themselves doing things differently and working more effectively with the private sector, as we begin to define and understand the differences between governing, running and administering. There's a broad consensus that governments have to be more efficient, that we have to live within our means, and that duplication and waste have to be eliminated.

Now I think it's important for people to realise that we have decided that we're going to use this conference as an opportunity to build on the particular experiences and achievements of all of our governments. There are particular ways in which we now have to go. Ministers of education, for example, have been working together. None of this, I should say to you, is particularly spectacular;

none of it is terribly glamorous. I saw one news article the other day saying that this conference was going to be rather dull. Well, I'm sorry. As much as some would like us to be, we are not in the entertainment business. We're in the business of governing, trying to find solutions and finding practical ways of making the Federation work better and of making the lives of our citizens better. It is hard work. It's not glamorous. But the next logical step for us is to determine how we can take the work that we are doing together and make sure that we are sharing as much information as possible between us, and that we are not reinventing the wheel or even, on occasion, reinventing a square wheel in each jurisdiction. There are some things that we can do better or cheaper as a group than we can do alone. Internal trade is one example. The enforcement of child support orders is another example. Trade missions abroad, educational standards, securities regulation—these are all areas where, I think, there is a growing consensus. We'll see how strong it is at the meeting and we'll see precisely how much progress we can make in these areas.

My own view is that we now have an opportunity to move beyond these general areas of agreement in order to achieve some more concrete results. Let me just talk to you in some greater detail about the agenda. The meeting will be a working meeting, and you're entitled to know what the work will be over the next day and a half. The first morning will be devoted to economic issues. We will discuss internal trade. The agreement that first ministers signed last month was the result of years of concerted work by provincial ministers and by federal public servants. We hope very much that we are going be able to take the next steps.

Premier Johnson and I were able to agree on the need to create a much stronger common market for public procurement and for an exchange of contracts, and for our companies to be able to bid in both provinces. This was a very hard-won achievement that has made an enormous difference. It has created a much bigger market, much greater mobility and much greater opportunity for workers and for businesses on both sides of the border. Within Atlantic Canada, there are some very exciting steps being taken by the premiers to create a common market for procurement. Within the Western provinces there has emerged a very strong working relationship that crosses party lines and transcends particular election results; one which tries to build a working agenda that persists through time. I hope very much that as provinces we can build on that in this conference.

We're going to be talking about job creation and about the infrastructure programmes. I'm obviously going to be talking about our pride in jobsOntario, our sector strategies, our partnerships with municipalities and the work that we've been doing on job creation and job training. We're going to be focussing on agriculture. This is an industry that's important to all the provinces. It is facing enormous challenges due to the new trade rules, the GATT and the NAFTA, which have had a very significant impact on our farmers.

Obviously, we are going to be talking about how we can work in a concerted fashion to deal with the impact of protectionism with respect to our most important trading partner, the United States. We're going to be talking particularly about how we might combine our efforts to promote Canadian exports, because frankly we're beginning to realise that there's no merit in our continuing to duplicate the work that we are doing. If we work together in a concerted fashion, selling Canada together and selling Canadian businesses and exports together, we can do a better job.

We've had good success with the federal-provincial infrastructure programme. We want to learn from that programme and talk about how perhaps we can renew it, extend it, deepen it, and broaden it. Over lunch, and immediately after, we are going to be discussing interprovincial co-operation. I want to suggest to you that what is unfolding is a new practical working model of the Federation. The provinces have begun some significant co-operation in the area of internal trade. It has taken too long. I agree with those people who say it has taken a long time. It has, but now that we have developed some momentum, we should be building on it. Our education ministers, as I said earlier, have been meeting regularly over the last three or four years to develop common standards across the country. They insist that we must understand the importance of accountability within the system so that we become more focussed on results and not simply on process. Work should not be done by allocating authority to some new body, but by our working more effectively.

We can, in fact, develop a new practical approach to federalism, to the Federation and to improving services. Indeed there are many areas in which the provinces spend the money, have the clear administrative responsibility and are working together. I mentioned education. I mentioned health care, social assistance, internal trade and research and development in our universities and companies together.

I think that this emerging approach in which we begin to build not from the top down, but to build from within the Federation will in fact strengthen the ties between us. This approach has a great deal to offer and it means a great deal to all of us. You can see from all the areas that I've described and from the differing provincial experiences, will emerge some common realities. And now we, in turn, are saying how we can effectively do our job and how we can assist in getting the focus of the country back on jobs, on work, on training and education, on managing our social policies so that they treat people fairly and at the same time respect the need for us to live within our means.

Finally on Thursday morning we will meet with the leaders of the five national aboriginal organisations to discuss issues of mutual interest. Obviously we are going to be determining how we can continue on the agenda for self-government and for improving the relationships between native peoples and the provincial governments.

My grandmother, who passed away earlier this year, used to say, "Take the human footsteps." And that's what the premiers are doing. We have, I think, been chastened, and we have been made modest by virtue of the very tough experiences that we have faced together. In the specific areas that I have described we feel the need to take the human footsteps to make progress towards a practical working model of the country and a working model of federalism that improve the country. If I can paraphrase Winston Churchill: "It may not be the perfect system, but it's a better system than any of the others." And it's one that we are constantly striving to improve, to give hope and cause for real confidence from the citizens of the country. If our targets can be reached, and if, in fact, we attain them, then we will indeed have made progress. If we don't make all the spectacular headlines that perhaps at one time or another we might have wanted to make that might even be a sign of success.

So I welcome Premier Savage and Premier Filmon to join me on the platform. I know that they'll have some comments to make and a very constructive approach to the discussion. We look forward to answering any of your questions. Thank you very much.

Question

I'll take a crack at a question. About the separation or sovereignty of Quebec, I have to say that Quebec is Canada, and always should be part of Canada. When you cut off a limb or a piece of you, it becomes a phantom, and then you must live with the eternal consequences. That's a statement that I just would like to put forward for consideration. Find a solution for keeping Quebec in Canada.

The second thing is health care. I'm in the private sector in health care in Ontario. Rather than fear the private sector, look at us as partners. We can economically assist in the delivery of a quality health-care system. Thank you.

John Savage

Thanks very much, Bob. Let me say, first of all, on the issue of Quebec our policy has been that this is an election for the Québécois. We are determined to make it abundantly clear that as far as Nova Scotia is concerned, the people of Quebec are very welcome in Confederation. But we will not interfere in the election in any way. We don't think that that would be very productive.

The issue of health care is obviously an issue that is very important for me. As a family doctor for 30 years, I've seen it from the inside (a bit like some of the education ministers I guess). We're going through major reforms in health care. As part of our changes in putting ourselves back on our feet we have had to reduce the cost of health care. For the first time in the history of the province, hospitals have been closed. Nearly everybody has gone through this. But previously, people won elections by opening hospitals. They sure didn't win them by closing them, I can tell you. But like all provinces, we have too many beds, too much institutional health care, too much focus on a model that served us well but is outdated. I couldn't have written the bit in your speech any better than you did. We've got to transfer health care to the community. We've got to have better home care and better pre-hospital care. This is a very important issue for us, but it is not an easy one because people love their hospitals. If you've spent time in Brantford, or in any place in Ontario where your hospital has been important, and if you've worked on everything from cake sales to auxiliaries, you know that the hospital is a very, very sacred institution for most communities. To take that away, even though there's another one down the road, is a very, very difficult thing to do. It's not easy, but it has to occur. The costs have to be changed so we'll have what we would call a sustainable health-care system. We think at the end of a couple of years we'll have a much better health-care system. It will be focussed on the community, and it will be focussing on other professionals as well as doctors. We'll have a better health-care system. We have to sell that, however, at a time when people are cynical not just about health care but also about us.

Gary Filmon

I certainly would say that every premier at this conference will be telling the people of Quebec that Canadians want Quebec to remain a strong part of our country and that we all believe Canada is better with Quebec as a part.

With respect to health care, it's an interesting comparison to what we used to see when I was in cabinet in Manitoba back in 1981. We used to hear provinces boast about how they had so many more beds per capita than the next province, how they spent a greater proportion of their provincial budget on health care or had greater per-capita expenditures on health care. Today, we're all wrestling with the same problem and that is that after two decades of increasing our expenditures on health care, which almost doubled the rate of inflation, none of us can sustain the systems with which we came into government. And we're all trying to do two things simultaneously. One is to make the system more effective and more efficient for the users of the system and to do so with less money. And we're all working very, very diligently at it. I would say from my perspective that, just as Premier Rae has indicated, these are not partisan issues. I could bring Premier Savage, Premier Rae and Premier

Romanow into my province and have them talk about these challenges and the things that have to be done in order to sustain health care as we know it for the future and keep it the best system in the world (which I believe it is). But it's not a partisan issue. We really are faced with the same problems and challenges and we're seeking similar solutions, as it turns out, We have much to gain by comparing our views. So I don't think that we have a hang-up about utilising private-sector initiative, if it can make the delivery of our health care more effective for the use of the patient and if it can keep our expenditures down as they must be kept down in future. That's the one difference of today versus the last two decades. I saw a slide that was shown by some consultants that we brought in. They said that governments in Canada today can expect their revenues to increase in the 90s at about half the rate they did in the 80s and a quarter of the rate they did in the 70s. So we aren't going to have money to solve any of our problems. That's really what we're faced with, so we're looking for solutions. If they involve opportunities for private initiative to deliver services or to improve our institutional care. I don't think too many of us have hang-ups about that.

Question

I wonder if the premiers would have any comments or suggestions as to how Canada, as an exporting nation, can gain back her markets that are being raided through subsidies and maintain a healthy resource sector that will be self-sustaining.

Premier Filmon

It's an interesting point you make, because the front page of The Winnipeg Free Press on Saturday had a story outlining the tremendous success that Manitoba in particular and Canada in general have had in exports. Premier Rae alluded to this success. I think he talked about an 18 per cent increase in Ontario's exports for six months of this year. This follows a record increase of our export sales last year (that was, I believe, 18 per cent over the previous year). For six months of this year, Manitoba's exports to the U.S. have increased 37 per cent and to the rest of the world 31 per cent. So we're on a real roll in terms of our competitiveness internationally and our ability to access international markets. This is probably to some degree due to the devalued dollar but it is also due to the fact that in many areas we have the best quality product in the world—this particular Durham wheat, our hogs, our beef and so on. And in our manufactured goods as well. I don't think that there is a problem there. I think that if you look at the success of your own automobile industry you've overcome (as North America in general has) the quality problems that enabled the Japanese and the Europeans take over much of our North American auto market in the 1980s. That's changed very dramatically in a matter of just a couple of years. In terms of price and in terms of competitiveness, we're in a good position with almost everything we produce in this country. I see it as the major source of our growth in the near term. So whatever the problems have been, I think that we have been working hard and are on the right track to solving them. Exports are going to fuel our economy for the foreseeable future.

Premier Savage

Despite previous troubles with the Atlantic fisheries, fish exports are up this year because of lobster, scallops and other species. We are still doing a lot of value-added catching of fish that come in from the Bering Straits. Much of the cod and the ground fish we get is not from off our shores. It's off other people's shores.

One cannot but be concerned about the dwindling resources not just of North Atlantic cod but also of fish stocks world wide. I think the point about how those resources have been raped is very valid. Pulp and paper prices are up. We have more people employed in that industry now than we did last year. The exports are going up. It's the best year in mining exploration we've had in Nova Scotia for a long time. We are indeed not sharing to the same extent as the others, perhaps, but we are sharing the kind of buoyancy, the improvement and the willingness to spend which we've seen in American tourists this year. We've had more American tourists and more tourists from below the States, which may have something to do with the dollar rather than the beauty of Nova Scotia. But the point is that they're there and they certainly are contributing significantly. Tourism is up maybe eight to 10 per cent. But it's interesting that we all believe that the resource sector, which has traditionally been the source of strength for Atlantic Canada, will in 10 or 15 years be very much less a part of our economic stability than it is now. I think that's inevitable. It's up to us to get into those areas that focus on our high-tech universities in Nova Scotia and into all the opportunities we have in other areas. Our deliberate policy, while not downplaying the significance of the resource industries (because they still play a major part in our province), has to be to get into the twenty-first century. We need a focus different from reliance on resource industries, subsidised or not. That's a reality that I think we're all facing.

Premier Rae

I guess I will just make two points. One is sustainability. I think that in all of our natural resources, I would argue that we must take the steps today to ensure that this way of life will be sustainable on an economic and environmentally sound basis well into the next century.

The second thing is that as a small trading nation, about a third of our GDP depends on access to world markets and on our ability to trade. It's in our interest to work with every other country that wants to build strong international rules with respect to subsidies, open markets and ending protectionism. I think that's the approach that we should take. Anything which, over time, builds strong international rules is going to be to our benefit, particularly with respect to our largest trading partner. We need other friends working with us to deal with the impact of American protectionism. But I don't think we're ever going to find a perfect solution. The GATT is, by its very nature, an agreement among politicians at an international level. It doesn't reflect any particular political or economic theory. It's always going to be a compromise. But we're better off today than we were five years ago in terms of strengthening the GATT. Strengthening the ability of the world trading organisation itself is a plus for us as a small country, because it means we have access to rules which are independent of political power and that's what's essential for us as a smaller trading country. So I guess I would just say that those are the sorts of things that we seek. In terms of sustainability, again, I think we are all working hard.

Question

Is there any kind of rationalisation of government taking place? For instance are you considering doing anything with school boards? Are you considering doing anything with regional or local government? We have to reduce the numbers.

Premier Rae

I guess I could answer briefly on behalf of my government. The answer is yes. I'll let Premier Filmon and Premier Savage continue.

Premier Filmon

The answer is that your view is universal. We're in the midst of a review of school boundaries that is intended to reduce the number of school districts in Manitoba dramatically. We have 11 different school districts in Winnipeg, a city of about 650,000, so the problem is universal. I think the solutions are being craved and called for by people everywhere. Municipal government is exactly the same way. The number of people we have in government is ludicrously high.

Premier Savage

I think that's true. But let's look at one point. Politicians don't cost you as much money as your bureaucrats. The politicians are relatively cheap. I bet you in our government (and you can answer this with respect to your governments), deputy ministers get more than the premier. They certainly get more than cabinet ministers, an average of $10,000 to $15,000 more than the politicians get. I don't know about the others. Yes, it is very true. We are over-governed. A poll coming out reinforces what you're saying in our province. Seventy per cent of people believe that amalgamation of municipalities is necessary. We've started one in a long-overdue area, industrial Cape Breton. The bill has gone through the House of Assembly and we're bringing together eight municipalities, six of which have been on emergency funding for a long time to create one municipality. The biggest risk is that seven administrators, seven chiefs of police, seven fire chiefs, seven of whoever are going to be added to the unemployed in Cape Breton. That's a small price to pay, I suspect, for bringing together better, more efficient government.

The other thing that we should be looking at is in the area of federal-provincial overlap. I'm sure most of you realise that we have both federal and provincial prosecutors. We have both federal and provincial parole officers. We have stacks overlapping that we think need to be looked at urgently. In some areas, the federal government contracts for people, and we contract for other people, neither of whom are fully employed. It just doesn't make sense.

Let me give you another example of better co-operation. How many of you in companies look at the different pension legislation across this country? Why? There are areas where we should be working together and having common principles of portability of pension and common pension standards. Those are the things that perhaps you in the private sector should be pushing us to do in a more cohesive way.

Question

What social programmes can be safely cut today? Which ones are untouchable in your mind?

Premier Rae

I don't think it's a matter of cutting or leaving sacred. I think it's a matter of what we ought to be able to do as a country, should be able to afford as a country and ought to be able to sustain. I think that with respect to welfare and unemployment insurance, particularly with respect to welfare (which is under our responsibility as provinces), there's a very strong agreement among premiers (we discussed it at our last meeting) that we have to create an understanding across the country that welfare should not be a permanent destination. It should be a point of transition that some people have to rely on because their unemployment insurance has run out and they have no other source of income. We have to do everything we can to make that system closer attuned to the labour market, more attuned to training and more attuned to giving people the skills that they will need to get back into the work force and to remain in the work force. The objective of every welfare administrator should be to reduce the welfare rolls, not in a punishing way, but in order to get people back into the work force. And therefore all of us should have a much more active approach in terms of the training that's provided, and in terms of the childcare opportunities that are available, but in particular in ensuring that it is a much more active approach. I think the mistake that has developed over time is that welfare has, for some, become a kind of permanent source of income and support and a permanent way of life. And that is something that needs to change. So it is not a matter of saying what's the principle of helping people who really need help. Providing assistance to people in a decent, civilised way is a very important side of a compassionate society, but it doesn't make sense for us to continue to see it as a purely passive system. We have to become much more active in terms of getting people back into the work force.

Question

What is actively being done to continue to reduce our debt load?

Premier Rae

The short answer is that we've reduced our deficit by more than 30 per cent over the last two years. In the last two years, we've got our programme and operating spending down, which is the first time that's been achieved in the last 52 years in the province of Ontario. So we understand the need to do that. No one here is talking about spending more money on health care, welfare or education. We're all talking about spending it differently and spending it more wisely.

Premier Filmon

Either seven or eight provinces in Canada are on a track to have their provincial budgets balanced by 1996–1997. I know our province is one of them. There is a very strong consensus at the table of premiers that it's absolutely essential to a healthy economic future to get our deficit and debt problem under control.

I'm obviously neglecting to mention one very major level of government that obviously still has a problem and a challenge that aren't being addressed. I think we are in agreement that they have to address theirs as well.

Premier Savage

Since 1978, the Nova Scotia government has not had one balanced budget. We're now in the process of addressing that with a 3-3-2-2 reduction in our expenditures, painful reduction for a province with less than a million people. As a result of that, we are already ahead of target by more than $50 million in the first quarter of this year. We will be in a balanced budget by 1996–1997 and that will be the first time in virtually 20 years that the province of Nova Scotia will have a balanced budget. That's not what we thought we went into politics for, but that's the reality, and that's what we're having to do.

The one thing that companies ask me nowadays, and I don't mean companies in Ontario, Bob—because I don't talk to them under our new friendship rule—is whether, if we were to move, we would move to a province that is managing its own finances. That's what we want to see because that's what you expect us to do. And that's what we will do.

The appreciation of the meeting was given by John Campion, President of The Empire Club of Canada.

A Hippy Writes to the 90s

"Dear Mo m and Dad,

I am sorry I haven't written in a long time, but since our dormitory was burned down, during the student demonstration, I haven't been able to see very well. But don't worry. The doctor says there is a good chance I'll get my sight back. While in the hospital, I met a wonderful man who works here. He has convinced me to convert from the religion of my birth. You'll soon have your wish of becoming grandparents. We are moving to Europe and some day, I expect to be married.

Love, Mary.

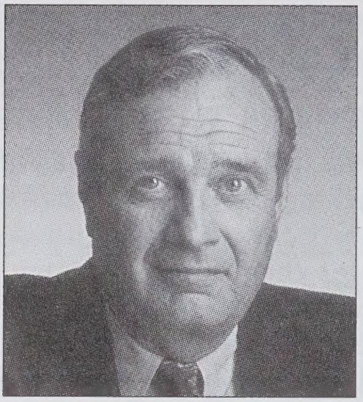
P.S. There was no demonstration or fire. I wasn't in the hospital. I'm not pregnant. I don't even have a boyfriend but I did flunk chemistry and economics and I wanted you to view these problems in the proper perspective."

In listening to the Premiers here today deal with the complex and sometimes intractable political issues of today, one is reminded of that plaintiff letter and the need for the voters to gauge their performances from the proper perspective.

Many Canadian leaders have provided courageous and insightful leadership through challenging times. They have been asked to steer the political life of their provinces and, in part, this wonderful country of Canada, through the heavy weather of corrosive economic downturn, reduced expectations and public resources and limited public tolerance for further change.

At its most basic, politics represents the continuous adjustment of public policy to meet constantly changing circumstances, perceptions and needs. Leadership comes from recognizing those adjustments before others and articulates them to an expectant public during an election campaign or by discovery while in office. Either way, viewed from a proper perspective, each political leader has chosen unique and innovative solutions to the same old problems. As always, the solutions chosen at each new turn are situate in unknown waters and lead to undiscovered shores. On behalf of both of our Clubs, I would like to thank the Premiers for being with us this morning.

Premier Gary Filmon, Premier of Manitoba, Premier Bob Rae, Premier of Ontario and Premier John Savage, Premier of Nova Scotia.



October 27, 1994

Joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Paul Martin

Minister of Finance

A NEW FRAMEWORK FOR ECONOMIC POLICY

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Diana Chant, Partner, Price Waterhouse and Treasurer, The Empire Club of Canada; The Very Rev. Dr. Angus MacQueen, Former Moderator of the United Church of Canada; Jean Augustine, Liberal M.P., Etobicoke-Lakeshore Riding; A. Charles Baillie, Vice-Chairman, Corporate and Investment Banking Group, Toronto Dominion Bank; Joan Marie Green, Director and CEO, Toronto Board of Education; Helen Sinclair, President, Canadian Bankers' Association; Fraser Mustard, President, Canadian Institute for Advanced Research; Stanley Hartt, Chairman, President and CEO, Camdev Corporation; John A. MacNaughton, President and CEO, Nesbitt Burns and a Past President, The Empire Club of Canada; Alfred Apps, President and COO, The Lehndorff Group and a Director, The Empire Club of Canada; Maria Judas, Grade 11 student, Central Commerce Collegiate Institute; Diane Richler, President, The Canadian Association of Community Living; Bill Robson, Senior Policy Advisor, The CD Howe Institute; John Honderich, Publisher, The Toronto Star Newspaper; and The Hon. David Peterson, P.C., Q.C., Director, The Canadian Club of Toronto and Partner, Cassels, Brock & Blackwell.

Introduction by John Campion

The Long Reach of George the Third's Folly

In 1763, the British triumphed over France in the Seven Years War. Britain became possessed of Canada and its hinterlands and the trans-Allegheny Plains in the valleys of the Ohio and Mississippi Rivers, populated by hostile Native tribes and 9,000 French-speaking people. Administration and defence of this territory was an increased expense that Britain wanted its American colonies to pay for.

At that time, the British Parliament and rulers knew several important facts:

(1) the American colonies were vital to the prosperity and world status of Britain;

(2) trade was the bloodstream of British prosperity;

(3) the mere whisper, let alone reality, of a standing army in the 13 colonies raised alarms of tyranny from the American inhabitants;

(4) the prospect of taxation of the 13 colonies directly from Britain, particularly taxation without representation, excited an even more pugnacious response than did the prospect of a standing army.

All of these factors were known to King George the Third and his hapless ministers who ruled from 1763 to 1783.

King George was a wonderful combination of factors: dignified, amiable, poorly educated, narrow, obstinate, troubled and unsure of himself. In short, he had strong prejudices in an ill-formed mind. His ministers in this 20-year period included George Grenville, the Earl of Bute, Lord North, the Earl of Halifax, who just happened to be in charge of the Board of Trade when Nova Scotia was founded and the rapacious Earl of Sandwich who was so busy gambling, that he had to devise a system of speedy nourishment which later took his name. Each of these men was from one of the 200 families, inclusive of 174 peerages, who ruled England and went to the same schools, intermarried with each other's families and socialized together.

Together, these men devised a set of policies and taxation measures, including the Sugar Act and the Stamp Act that, while designed to exercise British sovereignty, had little or no guarantee of revenue. In addition, to the extent that any revenues could be raised, they were dwarfed by the British profits from trade with the Americans, and the enforcement of the tax measures, would deny Americans proper jury trials. The ill-advised measures ultimately produced a great revolution and war, wholly contrary to British self-interest. As you know, the war caused a loss of 13 colonies, the loss of the trading relationship with the Americans and cost Britain £100 million in the bargain, leaving the country bankrupt.

Barbara Tuchman has described this remarkable series of actions as true folly. To be folly, she suggests that the policies must have three characteristics: firstly, they must be perceived as counter-productive to a country's self-interest in their own time: secondly, there must be a feasible alternative course of action available: and finally, the policy must be developed and applied by a group and not an individual ruler.

With respect to the national debt, it is certainly perceived as counter-productive in that it restricts government options in macro-economic policy and absorbs savings to meet current expenditures, thereby reducing options for the economy as a whole in an era of rapid technological change and where resources are needed for national reconciliation with Quebec. Additionally, it was apparent to successive finance ministers that there were feasible options to the ever-increasing debt. Finally, in order to meet the third criteria of a true act of folly, the policies leading to our national debt were pursued and supported by politicians of every party and at every level of government.

The question then is whether the existence of our national debt is indeed an act of folly.

And yet, the complaints about our national debt for some are a right-wing plot to seize the national agenda for a narrow interest group led, it is perceived, by big business and high finance. For many, government expenditure secures the dream of a safe, prosperous, healthy, educated and productive people, protected by a social safety net in every part of our land from sea to sea to sea. These dreams stand at risk and the hard efficiency called for by those who would reduce the debt supplants the caring dimension in our society that is the hallmark of Canadian life. The people are frightened that they will confront the insecurity of our forebearers, such as my grandfather who lived and worked on a prosperous farm in Muskoka, but had to kill an animal a day, for months, in order to keep his wife, my grandmother, in a Toronto hospital recovering from a stroke and brought him close to financial ruin in the caring.

The Minister of Finance is caught between two poles: that of folly and that of dreams. The choices he makes may be the defining moment for this government and could well affect the integrity of Canada, both economically and politically.

But the Minister also has a divine significance. When speaking with an active 72-year-old lawyer, he told me that he intended to continue working until the entire national debt was paid off. With a twinkle in his eye and hope in his heart, he said, "You see, that is my guarantee of immortality."

Paul Martin is Minister of Finance and Minister responsible for the Federal Office of Regional Development-Quebec. Prior to his first election in 1988 as an M.P. for the federal riding of LaSalle-Emard, he was Chairman and Chief Executive Officer of Canada Steamship Lines and a director of seven major Canadian companies. He studied philosophy and law, worked for the European coal and steel community, was a merchant seaman on the McKenzie River, the high Arctic and on the Atlantic and was a navvy in the Alberta oil fields. Politically, Mr. Martin played a key role in the development of the much-praised Red Book, the policy platform which played such an important role in the election campaign of 1993. It is my personal pleasure to welcome the Minister of Finance for Canada, Paul Martin.

Paul Martin

When the government submitted its budget eight months ago, we made a commitment to Canadians to open up the process of budget making permanently.

Last week, we put forward two documents to serve as the basis for the debate that is now underway. The first document contained a strategy to secure jobs from economic growth. The second was an update on the state of our economy. Naturally, perhaps, attention has focussed more on the second presentation, because that is where the bottom-line numbers are. That's unfortunate, because the first presentation—the framework for government action on the economy—deserves at least equal attention. The second presentation dealt with the deficit and the need to break its back before the downturn comes. The first presentation dealt with the need to make sure that for Canada the next downturn is as short and as shallow as it possibly can be.

Our new framework makes the point that for too long, governments in Canada have been drifting—postponing action, pushing the day of hard decision ahead. We've been pretending that the status quo can be sustained. We've been hoping that luck will shield us from the winds of change. The fact is, the world economy has been transformed—and no matter how strong the current recovery, the need for structural change in Canada has been met. The needs of Canadians have evolved, but our governments have not.

We talk glibly about a sea-change in the economy. I want to talk to you about the need for a sea-change in government. Our country is suffering from several deficits. We have a fiscal deficit. We have a deficit in innovation. We must address these head-on, together, and now.

Our new framework for economic policy will determine what, as a government, we will do in the future—and what we won't. It is a test that we will apply to every economic programme of the government, new or old. It is a test that asks: Will this make us a more productive country or not?

Growing economies produce jobs. Economies that aren't growing don't produce jobs. And the key to growth is productivity—it's as simple as that! Productivity is not some academic abstraction. Productivity is about how well ideas, workers, resources, technology and capital are brought together in a country's economy. Productivity is about ingenuity, about institutional change, about paying attention to the common sense of workers. History—before and after 1973—proves that incomes stagnate when productivity stagnates. It proves that unemployment goes up when productivity goes down. In short, productivity is about jobs, and so is this government.

In our document, we describe what we believe to be the steps toward greater productivity. They are: better skills for our work force, new gateways for trade and a recognition that ideas and innovation are the world's only true hard currency. And then there is a fourth ingredient, one I want to spend time on today—the need for constant evolution of the nation's institutions. And if this remark is true, then surely it is true for the largest institution of all—the government of Canada.

One of the reasons we have an under-performing economy is that we have had an under-performing government. This is not a partisan statement. No political party is immune from its consequences. The fact is, for too long, governments have blocked change, not facilitated it.

I believe in a positive role for government but I believe as well that government must evolve in its operations as fast and as deeply as do the shifting frontiers of the world's economic activity. If we are to preserve the credibility of government, our task today must be to focus as much on what the state should not do as on what it should do.

Our New Framework for Economic Policy addresses that fundamental issue. What should government not do? It should not put up barriers to business adjusting to change. It should not put up barriers to individuals adjusting either. The things that a government does must be the things that only it can do really well.

Why? Because for too long we have let entrenched government programmes define the nation's priorities. It is high time that priorities defined programmes. Our challenge is to not to focus only on the size of budget we need. It is also to focus on the type of government we want.

What does that mean in real terms? It means ridding the country of counter-productive regulations. It means changing our entire approach to business subsidies that too often protect the past rather than promote the future. It means no new mega-projects. It means commercialising and privatising current activities. It means improving social programmes that too often let Canadians down rather than lift them up.

For example, people ask what's driving Lloyd Axworthy's agenda—social reform or fiscal requirements? The answer is "both." Of course the main thrust is to improve our social programmes—to bring them up-to-date, to give people today's skills for today's jobs, to enable them to make the transition from dependence to independence.

But there is no way around the fundamental fact that if a country is to continue to care for its citizens, it must be a country that can pay its bills. And that brings me to the second of last week's two presentations—our fiscal dilemma. Now I am not going to go into the long litany describing the clear and present danger that the debt has become. You all know the situation as well as I. You'll also be happy to know that I've left the charts and graphs at home.

But let me provide you with the government's perspective. First, let it be clear that we are not focussing on the debt in order to enable ourselves to forget about jobs. If deficits led to jobs, this country would have zero unemployment today.

There are people who say we can grow out of our bind. I only wish we could. But we can't. This is not economic ideology. As long as the interest rate on the debt is higher than the growth in the economy, it is a mathematical reality. Growth helps—but it's not enough. Today's recovery alone won't resolve the deficit. It simply provides us with the opportunity to act without damaging the economy's capacity to create jobs. And we must not waste this opportunity. It is not responsible policy to forever subject this country to the whims of lenders abroad, putting our economic sovereignty at risk. It is not responsible policy to ask Canadian taxpayers to pay forever for past consumption—and to forego the chance to invest in future potential. And it is not responsible public policy to engage in benign neglect—bankrupting our children, not safeguarding their birthright.

Our policy is to bring responsibility back to the public finances of Canada. The impact of interest payments on our debt has to be driven home. Last year, we made some very hard decisions—closing military bases, changing UI, cutting back government operations. And what happened? A single swing in interest rates set us back billions of dollars. But it isn't only the increases in interest rates that hit us. This year alone, 1994–95, $3 billion in new burden came from the cold calculus of compound interest. That's because we are borrowing to pay the interest on the debt.

Put that in perspective. This year's $3 billion in compound interest is fully half of what the federal government spends on agriculture. And it's more than the cost of cash transfers to the provinces to fund post-secondary education.

What are we going to do about this? Allow me to quote words from the Red Book: "Any responsible government must have as a goal the elimination of the deficit." From the beginning, in the Red Book we were clear about the path we were on. We said our ultimate goal was a balanced budget—and it clearly is. We said we would set an interim deficit target—and we will.

Getting to our interim target is both an essential requirement and a substantial achievement. It is essential because for years governments have missed their targets and as deficits piled up, their credibility crumbled.

Medium-term targets—no matter how absolute—allow governments to postpone the day of decision. Short-term targets, no matter how interim, keep everybody's feet to the fire. Meeting one's targets matters. The confidence hasn't been there. Our commitment is to return that credibility, that confidence, to our finances.

But the three per cent target is about more than credibility. It is about turning the corner. The three-per-cent target hasn't been met since 1974–75—two decades ago. It hasn't been met by any government, of any party, including my own. The three-per-cent target means that we will cut the deficit in half as a portion of the economy—down from six per cent in only three years.

But most important, at three per cent, under normal circumstances our economy will be growing faster than the debt. We will finally be in a position to control it, rather than have it control us.

This is not trivial. When we are through getting to our target, this government will have engaged in the largest set of fiscal actions in Canadian history. They will be dramatic. They will be difficult. But they will be done.

Now people have asked: Why are we consulting? Why is it so important to open up the budget process? Why aren't we acting?

The answer is that the next budget is going to involve the biggest change in programmes that Canadians have ever seen. It is important to have the input of Canadians on what those changes should be. The budget decisions will come in the new year—that is, they should. The budget discussions must take place now. Government has the last word. That is why we believe that Canadians should have the first say. For decades, Ottawa has been dictating how it will tax. Now is the time for Canadians to tell Ottawa how it should spend.

There is tremendous responsibility on all of our shoulders today to make the opening up of the budget process work, so that in the end, we make the right choices for the right reasons. What we need in this consultation process are people prepared to come together to say "yes"—not people practised in only saying "no."

If Canada can't afford the old style of government, cannot we afford the old style of debate. We can't afford the usual chorus of "Don't cut me" from special interest groups. We cannot deal with the question of who should pick up the burden they refuse to share. We can't afford to deal with those who would say "Don't cut now," because the fact is that if we don't cut now when the economy is strong, we will have to cut more when the economy is weak. Nor, on the other hand, can we afford people saying "Cut more now" without saying precisely who or what they would cut.

This opening up of the process is essential. Because although there is much support today for the elimination of the deficit, there is less understanding of what the consequences of the necessary action will be. Canadians must understand the nature of the trade-offs that have to be made. Because the devil is in the detail. Yet it is detailed decisions that we must make.

Let me point to an example. The C.D. Howe Institute has come forward with an extremely constructive contribution to this debate. It is a model of serious purpose and professional work. I would hope others will follow their example. But even here the difficulty we face is clear. Because in their study, the Howe Institute says we should go beyond the three per cent yet becomes vague on the impact of that reduction and the detail of the measures it says should be put in place to get us there.

That is important, because the challenge today is not choosing a target. The challenge is showing how to get there. Over the next couple of months, I would hope that other organisations will emulate the constructive approach of the Howe—and that the Howe itself will be able to flesh out its recent report.

A final comment. Someone said to me the other day that the two presentations of last week gave signs of a shift to the right by the government. That is pretty simplistic. No one I know in the government went to Ottawa bent on dismantling Canada's social programmes. We went there to help build a better country—a Canada of growth and jobs.

And the news on that front is encouraging. The recovery is strong. Growth is up. Employment is up. Exports are up. The productivity numbers are superb. Inflation remains under control.

The opportunity for the Canadian economy has rarely been brighter. But there is one great storm cloud on the horizon. It is debt. It is a storm cloud that has been building for decades. It is a storm cloud that no government has had the will to address. We have too much to lose by letting it persist. And we have so much to gain by addressing it now. We are going to address it. I don't know if this is our last chance, as some have said—but I do know that this is our best chance.

There are 1.4 million Canadians who want jobs. To provide those jobs, this country needs firm decisions. It needs clear action. It will get both. This is neither left nor right. It is dealing with the problems and enjoying the opportunities before us. That is the course we are on—because that is the course Canada deserves.

The appreciation of the meeting was expressed by The Hon. David Peterson, P.C., Q.C., Director, The Canadian Club of Toronto and Partner, Cassels, Brock & Blackwell.

The Hon. David Peterson, The Hon. Paul Martin, Jean Augustine, M.P. and John Campion.

John MacNaughton, President and CEO, Nesbitt Burns, Diana L. Chant, Partner, Price Waterhouse and Donald K. Johnson, Vice Chairman, Nesbitt Burns.

Maureen Milne, Interior Designer and Roger D. Wilson, Partner, Fasken Campbell Godfrey.

October 11, 1994

The Hon. Jean Charest

Leader of the Progressive Party of Canada

REORGANISING GOVERNMENT: AN OPTION OTHER THAN SEPARATION OR STATUS QUO

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Carlyle Dunbar, Financial Journalist and Honorary Director, The Empire Club of Canada; Robyn Lawrie, grade 12 student, Havergal College; Sarah Band, Owner, Bianco Plus and a Past President, The Empire Club of Canada; Clayton Ruby, Lawyer, Ruby & Edwardh, civil rights and constitutional law; Pamela Wallin, Co-Host, CBC Prime Time News; Joseph Rotman, President, Roy-L Group and President, Art Gallery of Ontario; Catherine McKinnon, Actress and Singer; Julie Hannaford, Partner, Borden & Elliot and 1st Vice-President and President-Elect, The Empire Club of Canada; The Rev. Bill Steadman, Minister, Rosedale United Church; Diane Dupuy, President, Famous People Players; Anna Porter, Publisher, Key Porter Books; The Rt. Hon. Joe Clark, Former Prime Minister of Canada, currently United Nations Special Envoy to Cypress, a consultant and author of a new book called *A Country Too Good to Lose* which will be launched in Toronto on October 12; and Peter Munk, Chairman and CEO, American Barrick Resources Corp.

Introduction by John Campion
Circling Horses

I have always wanted to be a writer of editorials; let you be the first to hear my premier attempt.

The genius of Canada is very much rooted in the pragmatic, tolerant, wise appreciation for decent intervals and proper distances among its various components—for ambiguity. Canada and its leadership are frequently underestimated. This arises from the physical landscape, holding as it does, one of the world's few last great wildernesses and where survival from the elements is only a generation or two away. Ideology is a poor lifeboat in Canadian waters because it is often swamped by the storms of a struggle to retain what we have in a world of much larger and more powerful players.

But Canada, oh Canada, how have you created so many revolutionary changes and points of division? Let me count the ways:

1. over the last decade, you have had a divisive election over free trade;
2. over the last five years, the progress for national unity has been met with a punishing series of disputes, raising deep concerns from the nationalists of Quebec;
3. over the last decade, the Tories joined with the Nationalists of Quebec to win a federal mandate;
4. our national debt is so high that it absorbs a dangerous amount of federal revenue, putting our economic and political stability at risk;
5. the federal government is hemmed in on all sides by constitutional limitations that hamper policy formation in areas of deep national concern;
6. the electorate, over the last 10 years, has almost abandoned our great national political parties which were the anvils around which compromise was forged;
7. driven by a need for fundamental change, the electorate was recently influenced by a reform movement from the West and the nationalists in Quebec to bring the ruling Tories to near extinction.

Canada, oh Canada, why if you were so boring to the world, do you create such a revolutionary series of problems and changes that your very existence seems to be continuously threatened? Can Canada survive? The answer is yes; the reason is leadership in public life. Will the Tories return to power? The answer is yes.

This editorial was written by me as of December, 1921, with apologies for some of the phrases from Canada's National

Newspaper. The following events had occurred up to December, 1921:

1. the election of 1911 had seen the Tories form a government opposing trade reciprocity with the United States. They had the support of the Nationalists in Quebec and the Economic Nationalists from the rest of Canada.
2. the conscription of the crisis of 1917 led to the union government of Sir Robert Borden. The Prime Minister was supported by the Conservatives and Liberal Conscriptionists outside Quebec. Quebec followed Laurier and seemed to stand in isolation again, after years of success on the national unity front.
3. the election of December, 1921, saw the Liberals take 117 seats, the Progressives, (the reform movement from the West with appeal in Ontario), take 65 seats and the Tories take only 50 seats;
4. the Privy Council, under the direction of Viscount Haldane, limited the federal government's constitutional power to legislate under the Federal Residuary Authority so that the Liberals' economic regulation and social welfare legislation had to be held in abeyance;
5. the war effort was so costly that the national debt had increased seven-fold from 1913 to 1921, from $500 million to $3.5 billion. This arose, in part, from the nationalization of two transcontinental railways and in part, due to the enormous expenditures of the war. Nearly half of the current annual expenditure in the 1920s was paid out to service of the debt and to discharge other current obligations which the war had created.

As Canadians witnessed the balkanization of their political parties in the 1990s, it is comforting for those who have been sidelined that dramatic recoveries have been made in the past.

M. Charest, born in 1958, was first elected in 1984 and called to the Mulroney cabinet in June, 1986 as Minister of State for Youth and thereby became the youngest person to serve in a federal cabinet. He assumed other portfolios, was re-elected in 1988, became Deputy-Leader of the government in 1989, was appointed Chairman of the Special House of Commons Committee studying a proposed companion resolution to the Meech Lake Constitutional Accord, took on other ministries and in June, 1993, finished second at the leadership convention of the Progressive Conservative Party.

M. Charest was re-elected for a third consecutive mandate on October 25, 1993 and was appointed Leader of the Progressive Conservative Party of Canada in December, 1993. Please join me in giving M. Charest a warm welcome.

Jean Charest

Ladies and gentlemen:

I'm delighted to be with you today at this meeting of The Empire Club. I know I don't need to tell anyone in this audience that our country is poised at a critical time in its history. For you to be willing to listen to a Tory leader once again means that you already know there's trouble. For the second time in 20 years, a Parti Québécois government is in power in Quebec, and for the second time in almost as many years, it will ask Quebeckers whether they wish to remain citizens of their own country.

There will be a great deal of debate and speculation about whether Quebec should and will leave Canada. Personally, I'm also concerned with the possibility that political parties will deliberately misinterpret what Quebeckers said with their election of a separatist government. The federal Liberals will tell you it means nothing, the PQ and BQ will tell you it means everything. The Reform Party won't tell you what it means unless you tell them first. But it is critical that we all understand what it means, not for narrow political interests, but for the country.

First, neither M. Parizeau, nor M. Bouchard for that matter, were able to win the support of the majority of Quebeckers. If there is any doubt of the existence of federalists from Quebec who still believe in their province's future within Canada, you are looking at the proof that they exist right here in front of you.

Secondly, both M. Parizeau and M. Bouchard have embraced, and will continue to embrace, a deliberate strategy to try and provoke Canadians outside Quebec. Their goal is to try to leave the impression that other Canadians are hostile to the interests of Quebeckers. However difficult it may be, we all have to try to greet that provocation with reasoned judgment.

Thirdly, we have to be prepared, as individuals and as a nation, to be constructive both during and after the referendum. Because the day after, we will all have to face the task of moving forward. I understand the frustration of many Canadians outside Quebec who feel that the endless debate over unity has become a drag on our progress as a nation. And I understand that for those Canadians, the temptation to demand that Quebeckers make up their minds once and for all—"to take it or leave it"—is very real. But you should all know that it is at least as frustrating for Quebeckers, who have had a ringside seat for the same match—a kind of endless fight between federal Liberals and Quebec separatists that never seems to get anyone anywhere, for 20 years and counting.

When I was 18 years old, when I turned on the television, the Russians and Americans were building up weapons for global war against each other, Catholics and Protestants were fighting in Ireland, Israelis and Arabs were fighting in the Middle East, and here at home, 18 years ago, M. Chrétien and M. Parizeau were arguing about separation. Today, when I turn on the television, the Cold War is over, there is finally hope of progress in Ireland and in the Middle East, but here at home I still see M. Chrétien and M. Parizeau rehearsing the same lines.

Like most people, I'm getting a little tired of the same old programme. Domestic politics are turning into a TV rerun. And as the PQ have assumed power and effectively launched the pre-referendum campaign, it is clear that there's nothing new about this new fall season. M. Chrétien says we can sleep, the separatists say we should leap. Liberals say the country should do nothing to respond to Quebeckers and in particular to separatists. Separatists say that Quebec can do nothing to improve its condition while inside Canada. Together, they'll be forcing Quebeckers to confront two and only two choices: separation or the status quo.

We need to be very clear about what this referendum is about. During the debate, the burden of proof will lie with those who would take Quebec out of Canada to tell Quebeckers what that would mean for them and for their children. They are the ones who wanted this referendum. They are the ones who are putting our history on trial and proposing an end to Quebec's future in Canada. It is up to them to tell Quebeckers how much separation will cost each woman, man and child of Quebec. And for how many generations.

But it will not be enough for those who want the country to stay together to rely on simply repeating how much we love Canada. It is true that the very slim plurality given to M. Parizeau is not a mandate to begin the march towards independence. But the election also offered an equally clear signal that Quebeckers, like many Canadians, reject the idea that we can continue as we have been doing in this country. The Quebec election of 1994 came less than a year after a federal election that brought the Reform Party and the Bloc Québécois to Parliament. These are parties not of the mainstream but of the extreme. They are parties of division, polarization and confrontation in a country whose survival depends on accommodation, honourable compromise and consensus. That so many good people would turn to such parties in two elections within 12 months sends a message of profound dissatisfaction with the status quo. What can we learn from that message, and what can we do about it?

The dreams of Quebeckers, like those of other Canadians, haven't been achieved by 20 years of politicians debating the Constitution. In my view, people clear across this country, in every province, want better ideas from politicians and better results from governments. They don't buy the argument that the country must be trashed, or that it can't be improved upon. They don't buy the idea that constitutional change can solve all our problems, or that we can't consider any improvements if they require us to change the Constitution. They know that budgets can't be balanced with the stroke of a pen, and that governments can't spend their way back to prosperity.

Too often, any discussion of how to change Canada for the better has centred on one of two questions: how to amend the Constitution, or how government can get the economy moving. We've lived with those two questions for over 20 years: years in which provinces and the federal government battled each other over jurisdiction when people cared more about jobs, over tax points when people cared more about tax cuts, and over clauses when people cared more about causes: years in which provinces and the federal government learned how to spend more as if there was no tomorrow, while people learned how to spend in case there was no job tomorrow.

We all know the costs to our country.

Our collective attempts to use the government to fix all our country's ills and the Constitution to fix all our government's ills have not worked. By trying to do everything for all people, by trying to spend its way out of problems, governments have succeeded where no Canadians wanted them to: in running up huge debts that make them powerless to act when action is really needed, in alienating Canadians from their institutions and from each other, and in damaging their moral authority with the people by their continued inability to deliver what they say they will.

So, if we're not getting the right answers to the questions we have been asking, maybe we need to try asking different questions. Maybe trying to amend the Constitution isn't the best starting point, and maybe just pushing Ottawa to stimulate the economy, solve all our social problems and achieve excellence in culture and education is simplistic and riddled with risk. Perhaps a better question is: How can we roll up our sleeves to make government work for Canadians again?

There is a new generation who asks harder, realistic questions, and deserves newer, more practical answers. Our problems are not the problems of 20 years ago and the solutions of 20 years ago won't fix them.

Canadians from coast to coast are saying that it is time to make changes to the way government works for Canadians. This doesn't mean that we have to reject federalism.

In 1867, Upper and Lower Canada, English and French, Nova Scotia and New Brunswick agreed that federalism was the only system that would let them preserve and protect their different identities and control their own institutions while at the same time coming together in a spirit of common citizenship to build an economic and social union. Canadian federalism is a shared sovereignty, with powers—in many cases exclusive powers attributed either to the federal government or to the provinces.

One hundred and twenty-seven years later, Canada is larger, and economic, social and cultural conditions across the country are even more diverse. The need to tailor government action to local needs and priorities is obvious to anyone who has had the privilege, as I have had, of meeting with Canadians in their own communities all across the country.

At the same time, Canadians know that their economic and social union must be strong if we are to prosper in this age of globalisations. People today want more breathing room, more autonomy, and more control with regard to those matters that most directly affect them, their families, their communities, and their way of life.

Quebeckers feel no less strongly about this than do other Canadians. Indeed, M. Parizeau struck a responsive cord with Quebeckers during the election when he promised to decentralise—from the provincial government in Quebec City to the regions and communities across the province. As in the rest of Canada, the demand for the granting of a certain power may mean that a function should be exercised by a provincial or local government, or that government should step aside and let the people work out their own solutions. For Quebeckers, the need to protect Quebec's distinct character as the home of the French language and culture in North America is more than two centuries old, and it will always be their preoccupation in their relations with the English-speaking majority on this continent.

The majority of Quebeckers, like other Canadians, accept the obligations of our common citizenship, the need to come together to set common goals and to meet national objectives, and the need for a central government able to act on behalf of all Canadians. It is defeatism to suggest that we cannot reorganise government in this country in such a way as to meet these needs. It is blind arrogance to suggest that the way we are doing things now is good enough.

We need to take a hard look at whether government is working now for Canadians within a federal context. Federalism is a system flexible enough to let us change what needs to be changed.

Between separation and the status quo, there is another way: let us keep what works, change what does not, eliminate what is no longer useful and acquire the tools we need to succeed in the modern world. And we need to set some principles, to help guide this effort. I believe we should begin with three fundamental premises:

Number one: there should be nothing sacred about how government is currently organised in Canada. As the needs change, the organisation of governments must also change. Where government has worked most efficiently, there has been a flow of functions between its levels to meet dramatic changes in demography and technology. You are all familiar with the concept of "comparative advantage" in economics—doing what you do best compared to others. We have to think along similar lines—let the federal government do what it does best, and apply the same rule to other levels of government, the private and voluntary sectors.

Number two: the starting and finishing point should be what works best for Canadians, not what works best for political parties or existing governments.

My cabinet responsibilities in a previous government pertained to labour market policy, principally as it affects younger Canadians. I was also Minister of the Environment. In these areas, as in many others—from immigration to the information highway infrastructure to future challenges we have not even heard of yet—Canadians will always need a federal government to take a national and international perspective, to defend the values we share as Canadians, and to act in our common national interest.

Canadians will always want provincial governments to protect their interests and priorities at home. Where people live, the activities of the federal and provincial governments on these matters intersect and often overlap.

Several generations of politicians and bureaucrats have been paying lip service to the ideas of disentanglement and rationalisation without really getting very far with them. Now, the impending budgetary crisis and the exasperation of taxpayers may force them upon us at long last. The question must always be: What level of government can provide the most effective approach, at the least cost?

Number three: amending the Constitution could be the result of this process, but it does not have to be the starting point. As much as we would all like to have a new Constitution which better reflects the country, focussing on this task alone has not been successful. It's time to consider that maybe if we get government working better first, we might find that we've created an atmosphere in which reworking the Constitution would bring us together, not tear us apart.

There is no reason why both levels of government cannot enter into arrangements in virtually all areas of government where there exists the possibility of better results at less cost for Canadians. We could then have an opportunity to see in practice if these new arrangements work well for Canadians. If they prove to work well, then we could consider amending our Constitution to reflect those new realities.

I know the criticism that will be levelled at this kind of de-centralised approach, because we've heard it before: that the federal government may be weakened. I don't accept the logic that letting governments do what they do best makes them ineffectual. The real irony is that by refusing to abandon a rigid, centralist approach, the federal government will only weaken itself further.

William MacDonald, a noted Toronto lawyer and political commentator, has noted that the people in Canadian politics who often claim to be speaking for "a strong central government" have been the very people who have weakened it. They have done so in three fundamental ways:

- by using political power to enforce policies on regions of this country that don't subscribe to those policies.
- by intervening in the economy so disruptively that it destroys the marketplace.
- by letting spending and taxation get so out of control that their own ability to act is constrained at both ends.

We must build a new, thoughtful case for who does what, and not draw on worst case scenarios.

Our national leaders especially have a duty to be true to a national perspective. We cannot let our thinking be completely clinical, and forget about nation-building, as seems to be the case for Mr. Manning. Nor can we camouflage attempts to hold power at the centre as the only possible course for those who believe in Canada.

We must remember that a government is strong only when it has the moral authority to act and the fiscal capacity and freedom to choose. We cannot bring that strength back unless we are prepared to put aside the old templates and find new inspiration.

Some Canadians are fond of describing their country as some sort of mystical object of faith. And in a way they are right. Certainly, the practices of civility and tolerance that have held us together for some 125 years have at times defied human nature.

But Canada has been built by more than a love of country. For their part, generations of Canadians—my parents and your parents—who chose to come here worked hard to build a life for themselves and for their children, in a country they could call their own. Those Canadians were not afraid of struggle, of challenge or of change. And now it is the turn of another generation to build a better Canada.

I realise it is no longer fashionable to be in politics. And after the last election many have asked me more than a few times why I'm still in it. But I always return to the same answer. I believe I have a responsibility to take up the job begun by my parents to make this country a home for their children. They gave me the right to call Canada my home. And it is now my responsibility to make sure it is there for my children.

As Leader of the Progressive Conservative Party, I have another responsibility that I proudly share with those who have gone before me: to advance ideas to the Canadian people that marry fiscal conservatism to a national vision of this country.

I want to make a point about the role I will play in the Quebec referendum. There are those who feel that everyone who speaks for the federalist cause must speak with one voice and march in lock step. But I do not for a moment believe that the cause of federalism is weakened by having more than one expression of how it can work for all Canadians.

M. Chrétien and I are in agreement on one fundamental issue: that the aspirations of Quebeckers will be met much better within a united Canada than in an independent Quebec. He and I disagree on what should come after the referendum, but that should not and will not interfere with my determination to talk to Quebeckers and to all Canadians about our options.

Over the next year, I ask that Canadians listen to what my Party and I are thinking about. They are new ideas that bridge the gap between sleeping and leaping; ideas that start by looking for better results for government on the issues that matter.

The appreciation of the meeting was expressed by Sarah Band, Owner, Bianco Plus and a Past President, The Empire Club of Canada.

Patrick Boyer, former M.P., Dr. Eric Jackman, Immediate Past President, The Empire Club of Canada, The Rt. Hon. Joe Clark and Allan Fotheringham, Columnist.

Mrs. Charest, Sarah Band, Clayton Ruby and Pamela Wallin.

Anna Porter, Publisher Key Porter Books and The Rt. Hon. Joe Clark.

November 10, 1994

Lyn McLeod

Leader of the Opposition in Ontario

THE LIBERAL PLAN FOR PROSPERITY

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Julie Hannaford, Partner, Borden & Elliot and 1st Vice-President and President-Elect, The Empire Club of Canada; Taz Piromohamed, President, Queen's Alma Mater Society, Queen's University; Rev. Dr. Thomas Eng, Minister, Chinese Presbyterian Church; Roberta Wiltin, President, Canadian Securities Institute; Mike Colle, Chairman, TTC; John Ronson, President, Quantum Solutions; Peter Godsoe, Deputy Chair of the Board, President and CEO, Scotia Bank; Senator Keith Davey, The Senate of Canada; Bill Laidlaw, Director, Government Relations, Glaxo Canada Inc. and a Director, The Empire Club of Canada; Stewart Floyd, Grade 13 student, Rosedale Heights Secondary School; Patrick Lavelle, Chairman and CEO, Council for Native Business; Ben Sennick, President, Desbro Canada Ltd.; Dr. Geraldine Kenny-Wallace, President and Vice-Chancellor, McMaster University; George Cohon, President and CEO, McDonald's Restaurants of Canada; and Gordon Nixon, Vice-President and Director, RBC Dominion Securities.

Introduction by John Campion
Queen Caroline Comes to Visit

In the 1820s as the British Parliamentary system was on its way to creating political parties, not unlike the institutions that our guest speaker leads today, John Cam Hobhouse, Baron Brougham, a radical Member of Parliament for Westminster, invented the phrase, “His Majesty’s Opposition.”

The 1820s in England also marked a fundamental sea change in the political life of that nation and the democratic world which affects our political landscape today. The power of the press, the importance of public opinion on political decision-making and the movement of women onto centre stage of the public life of the nation which had previously been an exclusive male domain, all made their appearance in this decade.

The most arresting event of the 1820s was that of the trial of Queen Caroline. It was that event that ushered women into the political life of England and from where in the end they would never retreat.

George the fourth had married his Queen Caroline in the 1790s. By 1820, the couple had lived apart for over 25 years; their only child, Charlotte, had died. Queen Caroline loved to shock, was the subject of constant and often accurate rumours about her conduct that was unlikely to appeal to the society of the day—she lived openly with her lovers, she had a child from one such relationship and left debts of enormous proportion wherever she travelled in Europe and the Middle East.

By 1820, George the fourth wanted rid of his Queen and to have her removed from the political and religious life of the nation. The Tories and the Whigs callously lined up in support variously of the Queen and thereafter the King, depending on where they perceived their political advantage, and depending whether they were in government or in opposition.

The crisis encouraged radical politicians to scheme about taking revolutionary control of the government, led to riots in the streets and mutiny in the army. The complexities of the royal marriage crisis and Queen Caroline’s trial before Parliament on charges of conduct unbecoming her office, are too long and arcane to develop here.

In the end, Queen Caroline was not convicted, but she did die within the year and that, combined with a recovery in the economy, made the immediate danger of the crisis recede into a political curiosity.

But for the first time, a number of now commonplace factors appeared:

1. an entire nation had been emotionally involved in a single political issue;
2. every adult in the land developed an opinion;
3. public opinion affected the conduct of Parliament and the King and the Queen; and
4. women made their political views known in public. Now, not even a King could trample on women's rights.

So, some of the major political factors affecting modern women political leaders—women in politics, public opinion, the power of the media and the role as the Leader of Her Majesty's Loyal Opposition, were in their early stages of development in the 1820s.

As Henry Kissinger would have it, the task of the leader is to get her people from where they are, to where they have not been. The public does not freely understand the world into which it is going. Leaders must invoke an alchemy of great vision. It is now time for women to help shape that vision.

Lyn McLeod was a Minister of Energy and Natural Resources and a Minister of Colleges and Universities in the Ontario government. She has had a long public contribution as a local politician in Thunder Bay and her work as Leader of the Opposition in Ontario, in a turbulent economic and political era. It is with personal warmth and respect that I invite her to speak to us today.

Lyn McLeod

Our Top Priority: Jobs and Economic Growth

Today I want to outline for you some of the key things that a Liberal government would do to restore Ontario's position as one of the leading economies in North America and what we would do to turn a fragile and unpredictable recovery into a strong and sustained period of prosperity in which everyone can benefit. I also want to talk to you about the role of government in creating a climate for growth. Because now, more than ever, Ontario needs a government that understands when to act to create opportunity, and when to get out of the way and let opportunity flourish on its own.

Let me be forthright from the outset. I have not come bearing any magic solutions or miracle cures. There are no quick fixes for dealing with Ontario's problems or meeting our challenges. Government in the 90s isn't about gimmicks involving spending or simplistic cuts. It's about dealing with real problems in realistic ways.

One of those realities is that the current government will pass on a debt of more than $90 billion to whichever party forms the next government. That will place limitations on what any government can spend. But it will also force government to remove the limitations on its imagination and creativity. That's something that is long overdue.

The NDP Legacy: A Deep Recession, a Weak Recovery

Before I talk about the future, let me say a few words about the past. Ontario has been through some tough times in the last four years. In many communities the difficulties continue.

Today in this province there are half-a-million workers unemployed—over 200,000 in Metro Toronto alone. More than 1.3 million people rely on welfare; hundreds of thousands of them are in this community.

Bob Rae and his NDP policies didn't cause the global recession. But look at the enormous damage they did cause in this province. In Ontario and in Metro, the recession hit harder, cut deeper and lasted longer than in any other part of Canada.

Now that the recovery is finally here, it has arrived later, taken off slower, and shown more fragility than in any other part of Canada. Barely 20 per cent of the net new jobs that were created in Canada in the first nine months of this year were created in Ontario. And Metro Toronto actually has 194,000 fewer jobs than it had in 1989.

Meanwhile, over the past four years, Ontario has built up the highest per-capita deficit of any province in this country. We now have the dubious distinction of being the largest non-sovereign borrower in the world.

You look at all these phenomena—a deeper recession, a slower recovery, the highest per-capita deficit—and you have to say to yourself: Coincidence? I think not. I think it has everything to do with the decisions that were made at Queen's Park over the past four years.

Premier Rae likes to look back and say his government made the tough decisions. The NDP didn't make the tough decisions, they made the wrong decisions. When the NDP spent its way to a $10 billion deficit in its first year in office and then tried to fix it with a $4 billion tax grab, that wasn't a tough decision—it was the wrong decision. When they passed job-killing amendments to the Labour Relations Act, that wasn't a tough decision—it was the wrong decision. And when they shut down all of Ontario's international trade offices in the midst of the toughest global competition the world has ever seen, that wasn't a tough decision—it was the wrong decision. In a world where business and investment can go virtually anywhere, this government has given them too many reasons to go anywhere but here.

When governments make bad decisions, people suffer the consequences. One of those consequences is a recovery that has all the momentum of a person running through a field of quicksand. A recovery so selective, that young people with their newly learned skills and older workers looking for a way back into the work force can barely tell it's here. A recovery so fragile, it could be easily reversed by the next spending binge, the next tax grab, or the next wrong decision.

I don't think there is a person in this room who is satisfied with this type of recovery. None of us is used to an unemployment level of 10.2 per cent in a city with the diverse economic base and the dynamism of Toronto. None of us is used to an Ontario that has more people on welfare per capita than the province of Newfoundland.

And none of us wants to get used to it. It's unacceptable. We must do better.

The Conservative Alternative: Common Sense or Nonsense

The Conservative leader, Mr. Harris, believes he can do better. You will find his programme in a document that he calls "The Common Sense Revolution."

Mr. Harris' programme predicts a 25 per cent slower growth rate than that predicted by the NDP. I say that when someone tells you he can deliver even less economic growth than the NDP, watch out. That's one promise you don't want to see kept.

The strangest thing is that Mr. Harris' numbers just don't add up. He claims that even with 25 per cent slower growth, he can produce 25 per cent more jobs. Can he do that? According to the chief economic forecaster at DRI, a leader in the forecasting field, "That's just not possible."

The Conservative leader says he can cut personal income taxes by 30 per cent without touching 60 per cent of the budget—and still have enough money to eliminate the deficit. Can he do that? Not according to Leo de Bever, one of Canada's foremost economists. Mr. de Bever said, "It makes great sense as a political statement, but I'm not sure it makes a whole lot of economic sense."

I think it's time Mr. Harris admitted what everyone else is saying about his plan. It would push Ontario's deficit through the roof. It would drive our credit rating through the floor. And it would send investment and jobs right out the window.

The Liberal Approach: Creating a Climate for Growth

The good news is that all the ingredients that made Ontario an economic powerhouse, and gave us so much pride in our standard of life, are still here. We still have a well-educated population, sound infrastructure and stable communities. We still live beside the largest market in the world and have good transportation links to the rest of the world. We still have a creative and entrepreneurial people.

Ontario was always the province that works. We can again become the province that works. We can make it work for everyone.

It will take leadership and a commitment to change the way things are done. It will take a government that says, through its words and its deeds, to small entrepreneurs and big investors alike: “Come to Ontario. Stay in Ontario. You are welcome here. We will work with you. Together we’ll create prosperity and jobs. It will take a government that is willing to be a facilitator instead of an obstacle.

I want to provide that kind of leadership. Ontario Liberals want to provide that kind of government. We would recognise that in a market economy, the primary job for government is to create a climate for growth.

That means working with the people who create jobs—businesses, entrepreneurs, community groups—instead of putting roadblocks in their way. That means understanding that the tax burden has become too much of a burden on individuals and on businesses. It means recognising that the deficit must be eliminated, but that vital services must be preserved. In my vision of Ontario, we can and must have both a balanced budget and the services people need.

But to have both, government must stop squandering money on programmes and projects that are unnecessary and ill-conceived. And it must stop trying to solve every problem by spending money with centralised, bureaucratic programmes like jobsOntario Training. It’s time government realised that local solutions can be more flexible, more responsive and less expensive than bureaucratic policies imposed by Queen’s Park.

As premier, I would reduce unemployment to six per cent. That would create at least 150,000 jobs above and beyond what the NDP are predicting.

We must make economic growth, and the jobs that come with it, our number one priorities. It isn't enough to have a recovery that just shows up on economists' charts. We need a people's recovery.

We need a recovery that is big enough and buoyant enough to reach out and embrace entrepreneurs on Yonge Street and St. Clair West who have had to put up many "going out of business" signs these past few years. Big enough and buoyant enough to embrace young people, who still face depression-like unemployment levels. Big enough and buoyant enough to embrace laid-off older workers whose jobs have never reappeared. And big enough and buoyant enough to embrace people on welfare, who need a chance to train and work.

That's what I mean by a people's recovery. A people's recovery means jobs.

Let me tell you some of the ways in which we'll create a people's recovery. Our plan is to cut taxes, eliminate red tape, help business get capital and grow, put Ontario's finances in order, and modernise the way government itself operates.

1. Reducing Taxes

First, we'll reduce overall taxes by five per cent.

People in business tell me that rising taxes—especially payroll taxes—are the number one killer of jobs. Ontario companies cannot afford to pay higher taxes than their international competitors. Higher taxes are also the last thing Ontario families can afford. Many can't afford the taxes they are paying right now.

When it comes to paying taxes, Ontarians have hit the tax wall. It's time government began tearing down that wall. Our commitment to reducing overall taxes by five per cent is practical and doable. It will ease the tax burden without driving the deficit sky-high.

2. Cutting the Cost of Dealing with Government, Eliminating Red Tape

Secondly, we'll reduce the costs of doing business with government and of meeting government regulations by 50 per cent.

When I talk to business people—especially people in small business—the complaint I hear more than any other is that they spend more and more time dealing with governmental red tape, and more and more money on regulatory fees. That leaves less and less time and money to do what they do best—build their businesses and create jobs.

When I was in Niagara meeting with the Wine Council last summer I heard how members of the Council had to spend $4,000 to get 44 separate permits—just to run an afternoon winetasting tour. Here in Toronto, the president of Robin-Wood Management, a property management company, told me that the amount of paperwork he does has tripled in four years. There are dozens more examples. Three years ago, the Ontario government promised to "Clear the Path for Small Business." All we've heard since is a lot of talk.

A Liberal government won't just talk about clearing the path—we'll do it. We'll begin by abolishing the annual corporate filing fee, which is nothing more than a $14 million dollar tax grab.

3. Providing Access to Capital and Tools for Growth

Thirdly, we'll help small and medium-size companies get access to capital and to other tools they need to grow and create jobs.

Many entrepreneurs have shown me their plans for the future—detailed, innovative plans that would create jobs. They're prepared to take a risk—but they can't find a financial institution to share that risk. A Liberal government will help them get access to capital in a number of ways—such as getting financial institutions to publish clear and fair codes of conduct for their financing practices.

We'll provide other tools, such as community-based business centres that can link businesses with colleges and universities, and help small innovators become better entrepreneurs by giving them up-front information on human resource planning, financial planning and marketing.

We intend to make better use of government procurement. Government must use its purchasing power to help companies in emerging sectors such as communications and environmental technologies.

4. Getting Government's Finances in Order

The fourth part of our programme has to do with getting Ontario's finances in order. Our commitment, as a starting point and as a minimum, will be to balance Ontario's operating budget by the completion of a first term in government.

A balanced budget will attract investment. It will send out a clear signal that Ontario is a fiscally responsible place in which to do business. And it will allow us to pay less in interest every year, so we can continue to invest in knowledge industries and training and healthy communities—the things that attracted investors here in the first place.

Fiscal restraint will be a fact of life for the rest of my political life. That means tough choices. I'm prepared to make those choices. To balance the budget, I am determined to review everything government does, ministry by ministry, programme by programme, service by service. Where there is waste and duplication, we'll eliminate it. Where there are areas in which government is ineffective or just shouldn't be involved—we'll get out.

We'll start by scrapping the failed $1.1 billion jobsOntario Training programme. I'll terminate the Interim Waste Authority, which so far has rung up a bill of at least $50 million. There will be no more foolish decisions like the $168 million Workers' Compensation Tower.

And we'll provide a full and honest accounting of government finances. I can't imagine anything more irresponsible than a government that tables a financial statement that is so misleading about its deficit that its own auditor won't sign it.

To regain the confidence of investors, Ontario needs a firm hand, not sleight-of-hand. We'll use the generally accepted accounting principles which are approved by the provincial auditor. A Liberal government will not keep two sets of books.

5. Revamping and Modernising the Machinery of Government

Finally, we'll revamp and modernise the machinery of government.

In too many areas, government is trying to deal with 1990s problems by employing 1960s solutions. The Workers' Compensation Board is a classic example of an agency that isn't keeping pace with change. Its premium hikes are threatening to drive some companies out of business and are preventing many others from hiring new employees. Its unfunded liability is an $11 billion dollar noose around our necks.

I can't put it more bluntly than did Premier McKenna of New Brunswick, who told me a few weeks ago, "With your workers' compensation system, I'll beat you to new investment 10 times out of 10."

The Liberal Party will reform the system, making it both solvent and able to meet the needs of employers and workers. We'll freeze premiums and get the unfunded liability under control by reducing administrative costs and providing better investment management. We will start by putting an experienced insurance executive at the head of the WCB. That's where reform begins. We don't need a commission of inquiry into the WCB that will chew up $2 million dollars of taxpayers' money and delay action for two years. It's clear what needs to be done. It's time to start doing it.

Training is another area where the government's approach has been woefully out of date. Big, centralised programmes aren't the answer to Ontario's training needs. A Liberal government will turn that around. We'll involve communities and local industries in designing and delivering training programmes. We'll work with the people who create jobs—people who understand in a way that government never will—what our training needs are today and what they will be tomorrow.

Training and the WCB are just two areas. But whether it's reforming MPP pensions to end "double dipping," or reducing the bloated staffs of cabinet ministers, we'll bring government into sync with the realities of the 90s.

Conclusion: Realistic and Practical Solutions

Ladies and gentlemen, the ideas I've put forward today are not earth-shattering or revolutionary. But Ontarians have felt the earth shake quite enough around Queen's Park the past few years. And while revolutions may make for good slogans, slogans are not what we need.

What we need is a government that understands that its role is to stimulate, not to suffocate. A government that can manage effectively, instead of lurching along from one crisis to the next. A government that understands how to modernise the operation of government itself.

That's the kind of government I want to lead. A government that can work with people and put into action ideas that are sensible, doable and fiscally responsible.

I won't promise you the moon—and then begin backing away from those promises the day after the election. My commitments have been carefully designed and accurately costed to make the best of Ontario's resources.

I promise to dedicate myself to creating a people's recovery—a recovery in whose benefits every Ontarian can share.

It's time Ontario had that kind of leadership.

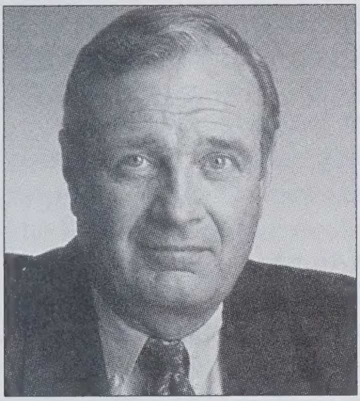
Thank you.

The appreciation of the meeting was expressed by Julie Hannaford, Partner, Borden & Elliot and 1st Vice-President and President-Elect, The Empire Club of Canada.

The Hon. Barney Danson, George Cohon, President and CEO, McDonalds Restaurants of Canada, The Hon. Lyn McLeod, Leader of the Opposition for Ontario, Dr. Geraldine Kenny-Wallace, President and Vice Chancellor, McMaster University, Senator Keith Davey, and Peter Godsoe, Deputy Chair of the Board, President and CEO, Scotiabank.

Patrick Lavelle, Chairman and CEO, Council for Native Business, Bob Richardson, Principal Secretary to The Hon. Lyn McLeod and Ben Sennick, President, Desbro Canada Limited.

The Hon. Lyn McLeod and Julie Hannaford, Vice-President, The Empire Club of Canada.



March 2, 1995

Joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Paul Martin

Minister of Finance

THE FEDERAL BUDGET

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Gareth Seltzer, Vice-President, Guardian Capital Inc. and a Director, The Empire Club of Canada; The Rev. Margaret Tandy, Minister, St. Timothy's Church, Agincourt; Rick Mahony, Lawyer and President, Ontario Liberal Party; James McCutcheon, Chairman, Empire Life Insurance, a Director of a number of Canadian corporations, a long-time trustee of The Toronto Hospital and a prominent Canadian business lawyer; Dolores Lawrence, President and CEO, NHI Personnel Corporation and President, African Canadian Entrepreneurs Association; Donald K. Johnson, Vice-Chairman, Nesbitt Burns; Isabel Bassett, Immediate Past President, The Canadian Club of Toronto; Alan Schwartz, Q.C., Managing Partner, Fasken Campbell Godfrey; Anthony S. Fell, Chairman and CEO, RBC Dominion Securities Inc.; Lyn McLeod, Leader of the Opposition in Ontario; Connie I. Roveto, President and CEO, United Financial Management Ltd. and a Director, The Canadian Club of Toronto; Paris Gardos, grade 12 student, Rosedale Heights Secondary School; Stephen R. LeDrew, President, Liberal Party of Canada (Ontario) and Partner, Cassels Brock & Blackwell; Anne Bender, Dean, Health Sciences, Humber College; F. Anthony Comper, President and COO, Bank of Montreal; The Hon. David Smith, P.C., Q.C., Chairman, Fraser

& Beatty; Sheila Neysmith, Professor of Social Work, University of Toronto; Roger Parkinson, Publisher and CEO, The Globe and Mail; and Herbert Phillipps Jr., President, The Canadian Club of Toronto.

Introduction by John Campion

Lenin's Revolution in Canada

On April 8, 1917, Vladimir Ilich Illyanov, at 46 years old, was invited by the German High Command to board a sealed train in Zurich and to accept safe passage through Germany into Russia. War breeds revolution and the German military leaders also knew that breeding revolutions was an old and effective form of warfare.

Vladimir Ilich Illyanov had taken the pen name of Lenin in 1903. His fierce, single-minded, undemocratic and brutal will to power changed the course of the 20th century, but not all for the worse. Under the crack of Lenin's guns, his seizure of power, his suppression of opposition, he also sought a Utopia. The Russian Revolution gave to the people of the world the hope of permanent economic security and social welfare.

In Canada, the forces of discontent were powerful and evident as the First World War ended. The inflationary period of 1918 and 1919 collapsed into depression. In 1918, Easter riots occurred in Quebec over conscription, the mass demonstrations of the United Farmers of Ontario followed in May and angry resolutions were proposed at the annual convention of the Trades and Labour Congress. Agitation grew rapidly in Ontario and the western provinces. New political parties, including United Farmers of Ontario, and the National Progressive Party, mushroomed to challenge the established order.

Who would ride and control the forces of change, seeking social justice, public ownership of utilities, taxes on business profits and personal incomes and labour and social security? Would it be Meighen's Conservatives? Crerar's Progressives? or King's Liberals?

In the end, King's Liberals led the way to political ascendancy on policies of social justice, including a new system of unemployment, sickness and old age security.

In the seven decades that followed, changes wrought by the forces of Keynsian economics, "New Deal" enthusiasm for government stimulus, central control of the economy during war, the need to respond to the transportation and communication revolutions of this century, and the requests for evermore social justice, stimulated successive Canadian governments to new participation in Canadian life.

That participation was and remains a proud heritage. Our national and provincial policies, institutions, social welfare and civil service are the envy of the world.

But as we all know, this success could not be sustained in its present form as our governments fell into further and further crippling debt. Governments around the world are fiscal victims of the legitimate public desire for a Utopia.

As the century is turning from the 20th to the 21st, Canada faces an external revolution from faceless money managers around the world. Nothing less than fundamental change of the role of government and society built up over the last 70 years was required.

Canada's revolution of the 1990s is upon us.

Paul Martin is the man who has guided Canadians to the first all-important steps leading to fiscal stability and world-wide monetary respect. At the same time, he has maintained the core of our caring society and its policies that are based on social justice and equity. Paul Martin is known to many of you as a lawyer, business man and now Finance Minister. Please welcome him.

Paul Martin

Thank you very much, John.

Leader of the Liberal Party of Ontario, members of the head table, ladies and gentlemen, Liberals (who are probably not sure that they want to be seen with me in public and certainly are wondering what they are doing at the same head table with me), and the publisher of The Globe and Mail, I have to tell you that it is with a considerable amount of trepidation and unease that I find myself here this afternoon. One of the things that would occur over the course of the last year, as I would wake up at 3 o'clock in the morning, trying to figure out where each and every one of you might have squirrelled away a couple of extra pennies—I want you to know that I will lay awake next year doing the same thing—is that I would turn on the television set. In Ottawa these particular events are televised many times, so I probably watched every speech and every event. It is very clear that these events are simply a means of inviting certain speakers to be here as foils for the introductions by John Campion. And so for me to come here and not to be able to quote Lenin, and not to be able to talk about what happened in 1916 or any of the things that happened when John was young, obviously makes it very difficult for me to perform my reasonably dull recitation of numbers. And for that reason I will not make a speech, or too long a speech in any event, because I would very very much like to open it up and have a dialogue with you. Certainly one of the reasons that I am here is to explain the budget, but at the same time I think that I would like to hear from you as to what you think about the budget and what you think ought to be in the next one. In about two to three weeks we will begin to work on the next one and I have got to tell you that advice that would come in the next month would be a lot more helpful than the advice that normally comes when the document is on its way to the printer.

So within that context, let me describe the budget as we brought it down. The background is very clear. The opportunities before us as a country have rarely been greater. Our economy is breaking new records. We are breaking new ground as seldom before with respect to our job creation, business confidence, the balance of payments on exports, and on economic growth. You saw the numbers that came out yesterday. Real GDP grew four and a half per cent in 1994. We led the G-7 and we are in all probability going to lead the G-7 again next year. On productivity, our unit labour cost fell by 1.3 per cent in 1994. That is the first annual decline in over 30 years. In fact, by the fourth quarter of '94 our competitiveness with the United States was at its best level in over 40 years. Our inflation remains at one of the lowest levels of almost any industrial country and the targets that we have set with the Bank of Canada, I can assure you, will enable us to stay that way. And these last two numbers are very important because, in fact, productivity and our inflation numbers will ensure that whenever the next downturn comes Canada will ride through that downturn far better than the vast majority of our competitors outside our frontiers.

Now, on that basis, things look pretty good. There are, however, two clouds on the horizon. The first is the uncertainty that some would create over the future of Quebec. As a Quebecker, let me tell you unequivocally that there should be no doubt that the challenge that is being thrown up will be met. The Quebeckers do not want their country to be split apart. The second cloud is the debt and the deficit. Dealing with that challenge was the purpose of our budget.

So let me get right to it. We estimate in the fiscal year that is just ending that the underlying deficit will come in at about $35.3 billion. That is $4.4 billion below our target of $39.7 billion. This is the first time in a long time that a Canadian government has actually delivered more than it promised and I would really quite like to spend a lot of time talking to you about that. But I have learned in politics that it is not what you did yesterday that counts. It's what you're going to do tomorrow that is of interest.

So let us look ahead. On the way to balancing the books, we have two immediate targets that we have to hit: $32.7 billion in 1995–1996 and three per cent of GDP or $24.3 billion in 1996–1997. As all of us in this room have known for quite some time, because of the tremendous increase in interest rates, we will not reach those targets without further action. And it is our estimate that we could face shortfalls of $5 billion from that target in 1995–1996 and $10.6 billion the year after. Those gaps simply have to be closed, and with our budget we are closing them.

We will hit our targets in both years, but what is even of greater importance is that the downward track that is being established by the actions taken in this budget will continue in the years thereafter. Over the next two fiscal years, the budget delivers cumulative savings of $15.6 billion, and spending cuts account for $13.4 billion of that. It delivers cumulative savings of $29 billion over the next three years, of which cuts represent $25.3 billion. This is the largest set of actions in any Canadian budget since demobilisation after World War II. (Maybe, John, given your extensive look into history, you could tell us what happened in 1493?)

Over the next three years the budget delivers seven dollars of spending cuts for every one dollar of new tax revenue. For the second year in a row, there is no increase in personal income tax, although as has been pointed to me by a couple of lawyers and some accountants here, there was a bit of suffering in that area. (But we had a choice. It was either the lawyers or it was the dentists and I think I'm going to have to go to a dentist before I'm ever going to have to go to a lawyer, I hope.) By 1996–1997, we will have reduced programme spending from $120 billion in 1993–1994 to under $108 billion, a decline of 10 per cent. Relative to the size of our economy, programme spending will have fallen to 13 per cent in that year and that is the lowest level since 1951. A prospect that is of even greater importance, as far as we are concerned, is that by 1996–1997 our financial requirements (that is what we actually have to borrow from the market, and that is in fact the gauge by which most countries calculate their deficits) will be down from $30 billion last year to $13.7 billion, or 1.7 per cent of gross domestic product. Now that percentage is lower than what is projected for the United States, and lower than what is projected for Germany and Japan. In fact, it is lower than what is projected for the national governments of every other G-7 country. And more importantly, in that same year the debt will no longer be growing faster than the economy. The debt-to-GDP ratio will have begun to decline and I can emphasise more strongly that we are absolutely committed to keeping this ratio on a permanent downward track.

We face an historic challenge. We believe we have provided an historic response. Our economic assumptions are more cautious than those of most private sector forecasters and once again we are backing those assumptions up with very sizable contingency reserves—$2.5 billion for 1995–1996, and $3 billion the year after. And I would ask you to consider the implications of these cautious assumptions and these reserves. If interest rates go up next year by almost 1.5 percentage points more than our already prudent assumption, our contingency reserve will fully protect our fiscal position. But if we do not need that reserve, it will not be spent. It will go to reducing the deficit even further. That is what happened this year and, because of our assumptions, I don't think that one should be unduly surprised if in fact it happened over the course of the next two years.

There is a third point. If interest rates and income growth conform to the average private sector forecast, which is more optimistic than our forecasts, the deficit in 1996–1997 could well be brought down below $19 billion, some $5.5 billion less than our budget projects. We have always said that our targets were the least that we would do, not the best that we could do. We have also said that the three-per-cent interim target was a station on the way, not our ultimate destination. Canadians want more than temporary fiscal remission; they want full fiscal health. So we will continue to set short-term deficit goals with rolling, two-year targets, until the deficit is erased. They are the surest way to get to zero. They are the most effective spending control that anyone can impose on a government, because they are public, they keep our feet to the fire, they make it impossible (and we may get into this in a discussion period) to postpone needed action and they prevent fanciful forecasts.

Now our budget demonstrates that we will hit our targets, but to be quite honest, this budget is about a lot more than simply hitting a target. It is also about how these targets are to be achieved. In fact, as far as we are concerned, the budget is about redesigning the role and the structure of government spending. In fact, it is about redefining the role of the federal state itself. Structural change is absolutely essential. Our economy has changed, but the role of government in it has not. The current structure of spending can no longer be afforded today and it cannot be sustained tomorrow. If our purpose is to get the economy right, then the best thing that we can do as a country is to get government right. We believe that this budget has certainly made a very strong start in that direction. It is this reform that is going to ensure that we will have durable financial progress. That is in fact the main achievement, we hope, of this budget.

Now you may ask how have we done that? Well, we did it by examining every activity of government, from top to bottom. We applied a very clear perspective on the role of government in the economy, what it should do and what it should not do.

What should it do? Well, essentially, it should do what only government can do best and it should leave the rest for those who can do better, whether they be in business, whether they be in labour or whether they be in the voluntary sector. For example total government spending on business subsidies will decline from $3.8 billion this year to $1.5 billion by 1997–1998. The remaining support will be targetted on the key engines of economic growth—international trade, science and technology, and small- and medium-size business. We are ending or substantially reducing most transportation subsidises, the WGTA (the Western Grain Transportation Act), and the Atlantic freight subsidies. At the regional agencies, the era of handouts by government is being ended. We are introducing repayable loans that will support the needs of small- and medium-size business. We are going to privatise and commercialise government operations, whether they be the CN, Petro-Canada or the air navigation system. Our view is quite straightforward. If government doesn't need to run something, then it shouldn't, and in the future it won't.

The results of this reform are reflected in dramatic reductions in spending by many government departments. While the Minister of Finance presents the budget, it is individual cabinet ministers who have had to put together the plans to carry this through. We all understand that no minister of finance can act if he doesn't have the full support of his prime minister. But neither can he act if his colleagues around the cabinet table are not prepared to narrow the mandates of their departments and, in fact, put these cuts into effect. And they have done so. Over the next three years, departmental spending will be cut by 19 per cent. This is not what governments normally do, which is to call a slowdown in the increase of spending. These are real cuts in real dollars.

We're also setting in motion substantial reform in three major areas of government spending—unemployment insurance, transfers to the provinces and the support and protection for Canada's seniors. The end result of the unemployment insurance reform will be a programme that does a much better job for our workers, one that allows them to make the transition from passive assistance to active assistance, from dependence to independence. It will effectively lead to lower and to more stable premium rates. The budget reforms the system of transfers to the provinces, making it more affordable and more effective. Anybody who has been in government at either level understands that the cost-sharing approach of the past limits the ability and the flexibility of the provinces to innovate and it increases costs at both levels. Therefore we are combining the major three transfers—health, education and the Canada Assistance Plan—into a single block transfer. We could not leave the funding for those transfers alone. They constitute almost 25 per cent of our spending, and therefore, compared to

1994–1995 the transfers are being reduced by $1.6 billion in 1996–1997, and by $3.1 billion by 1997–1998.

Now, as some of you know, there has been some outrage from some of the provinces over this rather modest effort of ours. I'm not sure what I should say here, except that six provinces have made it very clear to us that they are being asked to bear the majority of the burden. Six provinces have now told us that combined they are carrying 217 per cent of the burden. I am beginning to understand why we have had some problems with the nation's finances.

But there is something that I would like to say further on the reforms here, especially in Ontario. As I saw in a press announcement, Mr. Laughren said that in fact the cuts to Ontario are absorbable, and that they do represent under two per cent of the provincial revenues. So I was glad to see that. I am not surprised that Mr. Laughren would say that, because it has always been my experience that finance ministers are by far the most rational of any members of the cabinet in any government. But when we met with the provinces, what they essentially said to us was, "Look, we know you're going to have to cut, and you're going to have to cut in terms of the transfers if you are going to get your own act together. It's very important to us, as provinces, that you get your act together, because you're a tremendous burden on our own financing requirements." And what they said to us, essentially, in the meetings that we've had is, "We want no surprises." Well, there aren't any. We have given them a year's notice. The second thing they said was, "Hit yourself first," and we have. And then they said to us, "Make sure you hit yourself harder than you hit us," and I can tell you again we have hit ourselves harder than anyone else.

We've also built in tremendous flexibility, so that the provinces can innovate in the design of their programmes. But it is also important to understand that that flexibility doesn't mean a free-for-all. The conditions of the

Canada Health Act will be maintained. And in addition, we will maintain the existing principle that the provinces must provide social assistance to applicants without minimum residency requirements. And at the same time, Lloyd Axworthy will be sitting down with the provinces to discuss whether there shouldn't be other shared values. We are also ready for a bottom-up review with the provinces on the financing of both levels of government. We think there is an enormous amount to do together to make fiscal federalism more workable.

Then the last thing the budget does is to set in place the reform of our public pension system. A number of you will have seen the report on the CPP that came out last week, demonstrating that without massive increases in CPP premiums over the course of the next 15 years, the Fund itself will simply not be sustainable. And in the course of subsequent budgets, and in the course of negotiations with the provinces, we will be looking at the entire system of retirement and assistance in this country in order to make sure that the most vulnerable of our citizens, senior citizens, who have given so much to this country will not find themselves simply in a shortfall. And indeed we want to make sure that a lot of the people in this room, the younger generations, will be able to enjoy a healthy retirement.

Well, Mr. Chairman, I'll conclude now to open this up to discussions. But let me just say that we believe that this budget sets the country on a path to renewed fiscal health and renewed government for all Canadians. We have secured unprecedented structural reform. This should help insulate our fiscal position during downturns. It is reform that will keep our debt-to-GDP ratio on a permanent and steady decline.

But our efforts are not over. One budget does not complete fiscal health make. New targets are going to be set. Reform will continue and we are not going to let up as the next election approaches. And that is not simply an economic statement. Nor is that the statement by a minister of finance with a certain goal. That is an eminently political statement. The fact is that people who think that governments today can give up because there is an election in the way simply do not understand the overwhelming degree of national will by Canadians from coast to coast to clean up the balance sheet, to make this country sound and not pass on to the next generation the terrible legacy that we have in fact inherited and created at the present time. So it is good political sense. It is more difficult today for a politician to have his picture taken giving money than it is for him to stand up and say that he is cleaning up the national act.

So our course is clear. And the only thing that I ask of all of you is that you join with me and the other political leaders who are here, so that at some future meeting of these two clubs a minister of finance can stand up and say, "We have succeeded."

Thank you very much.

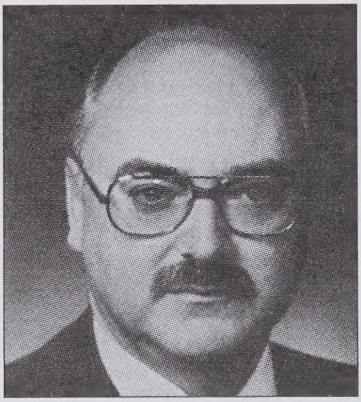
The appreciation of the meeting was expressed by Herbert Phillipps Jr., President, The Canadian Club of Toronto.

PIRE CLUB
ADA

O Canada—sung by Charity Brown.

The Hon. Paul Martin Jr., John Campion, President, The Empire Club of Canada and The Hon. David Smith, Q.C., Chairman, Fraser & Beatty.

Gareth Seltzer, Director, The Empire Club of Canada, Alan M. Schwartz, Q.C., Chairman, Fasken Campbell Godfrey, Gordon Steele, Historian, The Empire Club of Canada, The Hon. Paul Martin, Diana L. Chant, Partner, Price Waterhouse and Hugh Segal, Columnist.



February 16, 1995

Joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Marcel Massé

President of The Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister Responsible for Public Service Renewal

THE NEW FACE OF GOVERNMENT

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Montague Larkin, C.A., Honorary Director, The Empire Club of Canada; Paul Waldie, Reporter, The Financial Post and writing book on the McCain family; Stella Botelho, OAC student, Central Technical School, Andy Todd, Executive Assistant to the President, Ontario Public Service Employees Union; The Hon. David Smith, P.C., Q.C., Chairman, Fraser & Beatty; John R. Gardner, President, Sun Life Assurance Company of Canada and a Director, The Canadian Club of Toronto; John A. MacNaughton, President, Nesbitt Burns and a Past President, The Empire Club of Canada; Diana Chant, C.A., Partner, Price Waterhouse and Treasurer, The Empire Club of Canada; The Rev. Charles Plaskett, Minister Emeritus, Timothy Eaton Memorial Church; Prof. Hugh Arnold, Dean, Faculty of Management, University of Toronto; Joel Bell, Chairman, Power Direct Television; Robert McGavin, Senior Vice-President, Toronto Dominion Bank and Chairman, Olympic Trust of Canada; and Herbert Phillipps Jr., President, The Canadian Club of Toronto.

Introduction by John Campion
Bureaucritized Violence

In the history of Western democracy and political organisation, a number of converging forces have brought us to a point where radical change has been thrust upon all modern governments.

One of the most significant of these forces was organised violence. From 1600 to 1750, technology changed warfare in Europe. European rulers were remarkably successful at bureaucratizing organised violence and encapsulating it within civil society.

This single success dominated European state craft through the 18th and 19th century. The industrialization of war from 1840 to 1884, was in sympathetic vibration with the great changes wrought by the two revolutions in play during the last two decades of the 18th century—the French Political Revolution of 1789 and the less spectacular but more pervasive Industrial Revolution.

The European and then world-wide arms race from 1840 to 1990 dominated our industrial organisation and went to the very roots of our governmental and military structures.

Technology, government bureaucracy, political revolution and counter-revolution were powerful forces affecting national economic and governmental structures throughout this period.

A second set of forces which have taken us to the point of radical departure is the rise and fall of nation states and the fall and rise of world trade.

The apogee in the world of the nation state and nationalism existed from 1918 to 1950. The welfare state and national economic principles of the American New Deal and resulting bureaucratization of society led to excessive expectations. The civil bureaucracy was preceded in method and efficiency only by the military one.

Secondly, world trade largely came to an end in 1913 and it is only returning to full flower in the late 1990s.

With the return of world trade, national governments and economic structures are coming under intense pressure from international forces and close scrutiny by world-oriented markets for goods, investment and money by the new major players in the world—the international corporation and money markets.

Because of the advances of technology, no government can hide from these forces. Radical change is upon us.

The Honourable Marcel Massé, President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister Responsible for Public Service Renewal, has had a distinguished public career.

He has a Bachelor of Arts degree and a Bachelor's degree in Law, a Diploma in International Law, a Bachelor of Philosophy degree in

Economics and a Diploma in International Affairs variously from the University of Montréal, McGill University, the University of Warsaw in Poland, Oxford University and the École des hautes études commerciales de Montréal.

He is a World University Service Scholar, a Rhodes Scholar and a Nuffield College Scholar.

He has written on economic and legal matters and had a distinguished career in private practice in law, at the World Bank, economic advisor to the Privy Council, Deputy Minister of Finance in New Brunswick, Deputy Secretary and Secretary to the Cabinet and Clerk of the Privy Council, office in Ottawa.

He has been President of Canadian International Development Agency, Undersecretary of State for External Affairs and Secretary to the Cabinet for Intergovernmental Affairs.

He was elected as a Member of Parliament for the Hull-Aylmer Constituency in October, 1993 and has been given two of the most important portfolios in the government at this time of radical change. Please join me in welcoming The Honourable Marcel Massé.

Marcel Massé

Introduction

One of the central issues of our time is the competence of government. Governments throughout the Western world have overpromised and underdelivered. We've seen with diamond clarity that the states of the past didn't have enough answers to the big problems, especially the problems of jobs and public debt.

As Peter Drucker has said, "The next decades will make unprecedented demands on political courage, political imagination, political innovation, and political leadership. They will demand high government competence." Today I want to explore those themes in the context of the forthcoming budget, and of the government's jobs and growth agenda announced by the Prime Minister five months ago. I'm going to talk briefly about how the government is getting back to basics through our sweeping review of government programmes and services which will be unveiled in the upcoming budget. I will also be making an announcement about simplifying government by eliminating or streamlining federal agencies, boards and commissions.

The Government's Fiscal Situation

First, I want to talk about the government's fiscal situation and the course we have charted for reducing the deficit. The level of debt and deficit that we have today in Canada is simply unsustainable. When I mentioned political courage a moment ago, I had in mind the promise we made to Canadians when we came to office: to reduce the federal deficit from about six per cent to three per cent of G.D.P. by the end of our third year in office. We set out to achieve that goal and we are on track. In our first budget, we made a start by introducing more than $20 billion in deficit reduction actions over a three-year period. There were $5 of cuts for every $1 in revenue action. We are well on the way to meeting our deficit reduction target for the current fiscal year. More importantly, we introduced a number of policies to stimulate job creation, and the economy responded admirably.

Since we came to office in November 1993, 436,000 jobs have been created. The Canadian economy is now outperforming those of all G-7 countries and is expected to do the same next year. Canadians have told us repeatedly, during the most broad-based and open pre-budget consultation exercise in Canadian history, that they want the government to take the strong measures that will be necessary in this year's budget, which is coming in two weeks or so.

We have listened and we are taking action. I hope that no one is under any illusions. We will continue to reduce the deficit, and we will continue to meet our targets. Canadians know where we are headed and can count on us to get there. The results will be a stronger economy, a smaller government, and the kind of job creation that flourishes in a growing and healthy economic climate.

Programme Review

A central part of the budget and a key element of the jobs and growth agenda is what we call the programme review. Some months ago, the Prime Minister asked me to conduct a fundamental review of every federal department, every programme and every government activity. The review will focus the federal government on its key priorities, get it back to basics and allow the government to cut spending in an orderly way. It will do so by adhering to the three aims of the programme review. The first aim is to strengthen the public administration of federal programmes and services. This will lead to a smaller, more efficient federal government, delivering high priority programmes to Canadians. The second aim is to contribute to the modernisation of Canadian federalism. Government should deliver only those programmes and services that it is best equipped to deliver. And the third aim is to help the government meet its fiscal objectives. It is nothing less than a basic rethinking of what the federal government should do, and what Canadians can afford.

While the details will not be available until the release of the budget, let me stress what this review is not. It is not another exercise in bureaucrat bashing. It is not an attempt to introduce another transitory management fad, and it is definitely not a witless slash and burn exercise. This is the most sweeping review of the federal government's programmes and services in two generations.

Ottawa has seen many studies in the past, such as the Lambert Royal Commission in 1979, the Nielsen Task Force in 1986, and the Public Service 2000 exercise in 1990. But as Michael Trebilcock of the University of Toronto has observed, "Fairly routinely, having attained office, the parties largely ignore the issue or confine themselves for the most part to moving bureaucratic organisational charts around."

Why is our programme review different? Quite simply, this government has the political will and imagination to carry out what needs to be done. It is focused on the larger issues facing us today: the need to cut government spending, to strengthen the economic climate so that job creation can flourish and to protect the vulnerable in society. We are determined to reshape government, and we will do so. In fact, we have to do it. Canada can no longer afford the panoply of programmes, subsidies, grants and activities that seem to have taken on lives of their own over the past years.

Our review is also different because every minister and every department was involved. Each one has questioned the aims of his or her department, how it does business, and how it could operate more effectively. Ministers and their departments have taken the programme review very seriously, and some have already indicated the nature of their proposed approaches. Departments are discarding their non-core responsibilities. They are merging similar programmes and services within a single department or between two or more federal departments. They are thus eliminating costly overlap and duplication among departments. They are using new technologies to lower the costs of programme delivery while increasing service standards, and they are financing appropriate programmes by cost recovery and user fees.

Let me give some examples: Canada's transportation system is overbuilt, and subsidies are creating distortions in the economy. Mr. Young has announced that Transport Canada will no longer own, operate and subsidise large parts of the system. It will instead focus on core policy and regulatory responsibilities, while continuing to ensure the safety and security of the travelling public. For example, the department is turning over key parts of the National Airports System to airport authorities. Local airports will be offered to municipalities or the private sector to run. Communities will have a greater say in the transportation services they receive.

Subsidies also inhibit the diversification of agriculture. Mr. Goodale is working closely with the provinces to shift the subsidy system from income support to income stabilisation. In the Department Of Industry, Mr. Manley has announced that the era of providing subsidies to big business is ending. The private sector is the engine of economic growth and job creation. Nevertheless, the federal government will continue to have a significant role in creating the climate for business to be able to invest, innovate and compete for markets.

The Department of Fisheries and Oceans under Mr. Tobin is concentrating its work on science and regulations for conservation and sustainable use of ocean resources, again in concert with the provinces. At the Department of National Defence, Mr. Collenette has issued a white paper underscoring the adjustments necessary to reflect the needs and fiscal realities as we head into the 21st century.

Finally, while not a part of the programme review, social security reform is another key area that must reflect the needs of the 21st century. My colleague, Mr. Axworthy, has succeeded in convincing Canadians that we must modernise our social programmes, making them affordable, and supportive of our commitment to getting Canadians back to work, while protecting those who are truly vulnerable. The legislation which will be introduced by the end of the year will demonstrate that this is a government of hard heads and soft hearts. Protecting the vulnerable is an essential function of government and affordable compassion is an indelible element of contemporary liberalism. Yet we must be fair to taxpayers, and fairness to taxpayers means eliminating abuse, honouring the pension contributions that the elderly have already made, reducing the power of professional special interest groups, and diminishing social subsidies for the well off. Government's role is to provide a springboard, not a hammock.

These examples suggest how thoroughly every department is rethinking its aims, roles and responsibilities. The exercise has not been easy. Ministers have taken it very seriously and difficult decisions have been made. Obviously I can't anticipate final budget decisions or the full extent of the changes. I can assure you, however, that all members of the government fully support the Prime Minister and the Minister of Finance, who will be presenting a budget that is fair and equitable and which Canadians will accept.

Agency Review

While the programme review is the main source of the spending cuts to be announced in the budget, I want to emphasise that the government is rethinking every aspect of the federal presence in Canada. For example, I've also been looking at more than 400 federal agencies, boards, commissions and advisory bodies over the past year. Ministers reviewed the various agencies within their portfolios, and recommendations for change were made in consultation with the agencies themselves and with Canadians served by them. Our aim was to simplify government by eliminating unnecessary or inactive organisations and streamlining others. We had no set targets; rather we wanted to identify sensible and practical changes to make government work better. The 1994 budget launched this review, and its work is now completed.

Last week I introduced the first legislation eliminating or significantly streamlining 22 agencies, which will save taxpayers about a million and a half dollars annually. More legislation will follow. Today I am releasing the final report of the agency review, and the government's decisions affecting 1209 agencies, commissions, boards and advisory bodies. We are winding up 734 agencies and we are restructuring and streamlining 475 others. These decisions will eliminate 6652 order-in-council appointments, with savings to taxpayers that will approach $10 million.

We are also reforming the processes for appointing, paying and disciplining order-in-council appointees.

Efficiency of the Federation

A related area of concern to the government has been overlap and duplication of programmes and services among the federal, provincial and territorial governments. As another part of our commitment to good government, we've been working with the provinces and territories to improve and harmonise programme and service delivery for Canadians. For example, pulp and paper mills were subject to three layers of environmental inspectors: federal, provincial and municipal. Now we have agreed that only one inspector is necessary. Since this government took office, we've signed more than 60 agreements with the provinces and territories, eliminating small points of friction, overlap and duplication of services and programmes. I say "small," but the overall result of this approach is a change to the nature of federalism.

The Quebec Referendum

Our conceptions of the nature of the state are evolving, and I believe they are moving in very positive directions. Despite the claims of Jacques Parizeau and the Quebec government, I believe that what I have been outlining here today clearly demonstrates that there is no such thing as status-quo federalism. These are challenging times for all of us, not only on the economic and social fronts, but on the political front as well.

Our strategy for the Quebec referendum is very straightforward. It has three elements: first, to stay on the track of good government; second, to demonstrate that federalism in Canada works well for Canadians and is constantly evolving; and third, to put the burden of proof on the separatists.

Every day we demonstrate to all Canadians, including Quebeckers, that Canada works through our actions as a government. Whether as a result of trade missions abroad (from which business and government derive contracts and jobs as opposed to lint from ceremonial red carpets), the infrastructure programme (which has put people back to work across the country), or reducing the number of public sector jobs and appointments, we are restoring faith in government and in Canada.

The second key element of our strategy is to demonstrate that federalism, in Canada, is a very pragmatic and flexible system of government. We will burst the "status quo" balloon by clearly demonstrating that Canada and federalism have been constantly evolving, and that Quebec has flourished within Canada and continues to do so, enriching the whole of the country and benefitting from federal structures and programmes.

And finally, the third element of our strategy is to place the burden of proof directly on the separatists. It is up to the Quebec government to prove to Quebeckers why they would be better off outside Canada, the best country in the world.

The New Face of Government

The next few months will see real and substantial changes. We are going to have a very different federal government. It will be a federal government focused on exercising its national roles and responsibilities, and on national priorities. It will be a government that delivers the services Canadians value at a price we can afford. And it will be a smaller federal government.

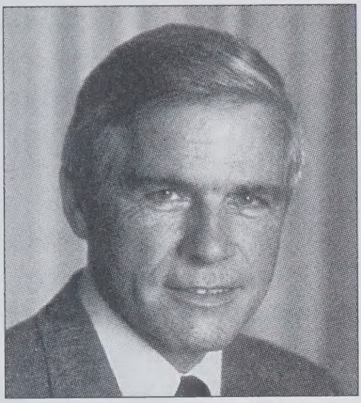
As a major tool of our jobs and growth agenda, the budget will set the new directions needed to meet our fiscal challenges and to get government right. It will ensure continuing deficit reduction in 1997/98 and beyond by fundamentally restructuring expenditures. And it will distribute the burden of restraint equitably among Canadians and the regions of Canada.

We are attempting to restructure government and reorder public finances at a time when Canada is facing a threat to its very existence as a nation. But as the Prime Minister has said so often, Quebeckers want what we all want: good jobs and a secure future. As clients, Canadians want services that are fast, accessible, reliable, and responsive. As citizens, Canadians want services that guarantee health and safety, public security, fairness and equity, and economic well-being. And as taxpayers, Canadians want government that is efficient and cost-effective.

In other words, Canadians want competent government and that is what this government is delivering. Canadians want a united Canada and this is what we are working for.

The appreciation of the meeting was expressed by Herbert Phillipps Jr., President, The Canadian Club of Toronto.

Herbert Phillipps Jr., President, The Canadian Club of Toronto, The Hon. Marcel Massé, and John A. Campion, President, The Empire Club of Canada.



May 9, 1994

Joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Floyd Laughren

Minister of Finance, Province of Ontario

ONTARIO'S 1994 BUDGET

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Beverly Mascoll, President, Mascoll Beauty Supply Ltd. and a Director, The Canadian Club of Toronto; The Rev. Charles Plaskett, Minister Emeritus, Timothy Eaton Memorial Church; Anne Creighton, Senior Consultant, SAMCI; John A. Rogers, President and CEO, MDS Health Group Limited; John A. MacNaughton, President and CEO, Burns Fry Limited and a Past President, The Empire Club of Canada; Hugh J. Bolton, FCA, Chairman and Chief Executive Partner, Coopers & Lybrand; W. Alfred Apps, President and COO, The Lehndorff Group and a Director, The Empire Club of Canada; Wendy Leaney, Vice-President, Toronto Dominion Bank; Arnold A. Auguste, Publisher and Owner, Share Newspaper; Bill Winstanley, FCGA, President, Certified General Accountants Association of Ontario; and Isabel Bassett, President, The Canadian Club of Toronto.

Introduction by John Campion
William Pitt Learns His Math

When William Pitt the Elder, the Earl of Chatham, formed his first ministry in 1766, Great Britain's public finances were in a disastrous state. Great Britain had just finished the Seven Years War. She was just on the edge of losing her most boisterous colony in North America, in part on matters of taxation, but was at the same moment in the early stages of the Industrial Revolution which was to lead to empire. Pitt learned the magic of a sinking fund and compound interest in the early stages of his ministry and through that device retired the national debt. That put the country into a position to finance the demands of a world-wide empire which was to follow a century later.

As we are all too well aware, the decisions made by heads of state and their treasurers on budgetary matters are the stuff of tomorrow's prosperity or disaster. Modern budgets are scrutinized by unknown and unseen investors around the world. Their review is instantaneous and their verdict delivered unemotionally and mechanically. Modern budgets reflect our government's view of our society, its priorities, its equities and the health of its public financial management. Budget preparation is demanding and politically one of the most significant events of the political calendar. There is no easy sinking fund solution in today's complex and changing society.

Mr. Laughren has prepared four budgets in the term of the present government. He did so amid the most searing recession since the 1930s. The recession followed on from a period of economic hyperactivity and therefore brought the new economic realities into high relief. In that regard, he has served the province with vigour, commitment and distinction. Please welcome The Honourable Floyd Laughren.

Floyd Laughren

Good afternoon. I welcome this chance to discuss Ontario's 1994 budget. In this budget we kept our promises and stuck to our plan. Last year, we promised to reduce the deficit and to get Ontario back to work. Our budget is the proof that we are meeting those goals. We promised not to increase taxes. We kept our word. The budget contains no new taxes or tax increases. In fact, we cut taxes. Our permanent cut to payroll taxes will create 12,000 jobs in Ontario. We're clearing the way for loan and trust companies to give thousands of companies better access to capital. We're cutting red tape, adopting new technology to serve you better, and getting rid of paperwork and bureaucracy.

But while we're trimming our overhead and getting rid of waste, we're not losing sight of the longer term. We're still making strategic investments in people and assets—investments that are vital to our future. Our efforts are paying off. All the indicators are moving in the right direction. The provincial deficit is down more than 30 per cent from two years ago. Spending on programmes will fall for the second year in a row—for the first time in more than half a century.

Economic growth accelerates

The signs that Ontario is well positioned for the growing recovery aren't just in our budget. They're also out there in the businesses that fuel Ontario's economy. On the very day that I tabled the budget, the Conference Board of Canada said that its latest survey showed Ontario business and consumer confidence was at its highest level in five years. Statistics Canada's figures agree: they show that manufacturers' optimism reached a record high in April. Businesses are backing up that confidence with hard cash. They plan to invest more than $21 billion in Ontario this year—that's up by over 10 per cent from last year. Investors are choosing Ontario.

There is good reason for this growing confidence. The recovery is here, and growth is accelerating. Last year Ontario turned in its best economic performance in four years, ending the year with fourth-quarter growth at a very strong 5.3 per cent. International merchandise exports rose almost 17 per cent in the year. The evidence continues in 1994. New motor vehicle sales were up 21.6 per cent in January and February from last year, and housing resales increased by about 40 per cent between the first quarter of last year and the same period this year.

Ontario is better positioned to compete on world markets in this recovery. In the past four years Ontario business has undergone restructuring that has made this province more competitive and export-oriented than before. Unit labour costs in manufacturing, measured in U.S. dollars, have dropped by 14 per cent since 1991. Productivity in the manufacturing sector has risen by 12.4 per cent in the past two years, and we expect continuing productivity growth to help keep unit labour costs moving down through 1997.

Ontario remains very competitive as a place to do business. Our corporate income tax rate for manufacturing is more than four percentage points below the U.S. average. Payroll taxes and the cost of employer-paid health benefits are well below the U.S. average. And with this budget's cut to the Employer Health Tax, those costs for a new employee will be about half what they are in the United States.

Last week the Toronto-Dominion Bank moved Ontario to the top of its list for provincial growth in the medium term, predicting real expansion of 3.7 per cent this year and four per cent next year. The forecast is right in line with a growing consensus—which we are share—that Ontario's economy will grow faster than any of the G-7 nations over the next years. Accelerating growth will help Ontario to create 100,000 new jobs by March of next year, and 350,000 new jobs in the next three years. On Friday we got new evidence that we're moving toward those targets. The latest figures on job growth show that the Ontario economy was employing 15,000 more people in April than a month earlier.

Doing our part

We are supporting job creation, just as we have created and protected private-sector jobs for the past four years. In our pre-budget consultations we heard from businesses that payroll taxes can stand in the way of hiring—and we showed that we were listening. We gave employers in the private sector a permanent break every time they increased their payroll from one year to the next. Because it cuts payroll taxes on an incremental basis, this strategic measure will do more to create new jobs than a simple, across-the-board tax cut. With our partners, we are also continuing to create and to protect jobs through our capital and training programmes. In the coming year, our actions will provide almost 167,000 jobs, while building vital public assets that make Ontario businesses more productive and competitive. We are working with the private sector to create long-term jobs and to reduce the cost of social assistance.

We are also creating innovative partnerships, such as the Sector Partnership Fund, which brings together business, labour, customers and suppliers to develop new initiatives that benefit strategic economic sectors. To encourage high-tech industry in Ontario, we are encouraging small- and medium-size firms to increase their spending on research and development. This programme, called the Ontario Innovation Tax Credit, will invest $35 million into innovative Ontario companies. We are giving thousands of firms better access to capital by allowing loan and trust companies to make their lending and investing decisions on prudent business principles, not arbitrary rules. No longer will there be a cap on commercial lending, a ban on doing business with firms that are less than five years old, or a prohibition on longer-term lending. Small- and medium-size firms will be the engines of job creation in the coming years, and if I heard one clear message from them in our pre-budget consultations it was that they are not getting the service they need from banks. These changes will improve their access to the funds they need in order to grow.

We have done more to clear the path for business. We are making it easier for start-up firms to register and to hire their employees, through a “one-stop shopping” concept that will eventually become province-wide. And I have to emphasize that many of these measures that make it easier to do business in Ontario will cost taxpayers next to nothing. In fact, many of them flow from our efforts to clear up the government so that we can spend less on bureaucracy and more on priorities.

Some people talk about common sense, but we've done more than talk. We've taken a common-sense approach to management that lets us cut our programme spending again this year—after a drop of more than three per cent last year. That's one of the reasons the deficit is going down in 1994–95 without taxes going up.

Managing spending

I want to talk in a little more detail about our record on deficit reduction, because quite frankly I don't think most people are aware of our achievements. I just mentioned that we cut programme spending last year by some 3.2 per cent. Those efforts helped us come to within three per cent of our 1993–94 deficit target. The final figure was $9.4 billion instead of our planned $9.2 billion. And our revenues and spending were both within one per cent of our projections.

In the same year, the reported deficit of the federal government ballooned by some 40 per cent—from a planned $32.6 billion to more than $45 billion. And I'm willing to stack our record up against previous Ontario governments. I mentioned earlier that this is the first government in more than five decades that has cut programme spending for two consecutive years. In fact, we have kept the real growth in programme spending to an average annual increase of less than one per cent since 1990.

How did our predecessors do? In the early 80s real spending grew by almost three per cent a year on average. And between 1985 and 1989, spending in real terms grew up 4.5 per cent on average, every year.

Let's put those numbers into an economic context. On average, our spending on programmes increased by only nine-tenths of one per cent per year during the worst recession this province has seen since the 1930s—a period of unprecedented demand for our services. In contrast, the huge expansion in spending in the late 1980s—fully five times, on average, the increases we've allowed—took place at a time when the Ontario economy was booming. A time when prudent management would have given Ontario a substantial cushion to see it through the hard times of the early 1990s.

If you don't believe me, look at a recent report from the Investment Dealers Association. According to the IDA, Ontario could have built up $18 billion in surpluses just by keeping spending increases to the provincial average. That's right—it wouldn't have taken any spending cuts, or even flat-lining. Just sensible and responsible management. But because of our predecessors' spending spree, this government inherited almost $40 billion in debt—just as Ontario moved with the rest of the world into a major recession. Again, I will let the facts tell the story. Ontario was hit harder, and lost more jobs, than any other province in this country. We had to increase programme spending to keep up with the demand for social assistance, training, and other vital services. That didn't stop the federal government from deciding unilaterally to step back from its commitment to this province on the Canada Assistance Plan. That decision cost Ontario almost $5 billion during the past three fiscal years, and will cost us another $1.7 billion this year.

Those are the facts, and that is the context in which we have kept real growth in programme spending to less than one per cent. In 1994–95, our deficit will be more than 30 per cent lower than it was two years ago, no matter how we measure our spending. And I have to emphasize that we have worked very hard to achieve those goals without creating hardships for the people who rely on our services.

The Expenditure Control Plan and the Social Contract that we put in place last year were intended to make permanent changes to the way the public sector operates in this province without destroying services. And they are doing that: last year these two initiatives saved close to $6 billion in the costs of public services throughout Ontario. We are sticking to our plans to extend those savings into 1994–95 and beyond. We have put our own house in order. Our own direct overhead has fallen by $1.2 billion during the past three years—that's a drop of 16 per cent. We have met our goal of reducing public service by 4,500 positions, and by the end of this year the reduction will be 5,000 positions. I know that many private-sector firms made similar cuts during the recession. But remember that—unlike them—we had to make our cuts when demand for our products and services was going up, not down.

Our challenge is to give people in Ontario services that work at a cost we can afford. We're achieving that. Look at health care. After a decade in which costs grew on average by more than 10 per cent per year, we will have kept them flat by the end of this year. That's despite the demographics of an aging population and the increased costs of new and more sophisticated medical technology. Through better management of the system, we have still been able to move money into priority areas such as cancer treatment and long-term care. Now we're tackling the social assistance system. We recognize that the only sensible approach is to get people into the work force and off social assistance. That's why we're expanding our existing training and placement programmes through jobsOntario training. That programme is already saving us at least $190 million in social assistance costs by getting long-term unemployed people off welfare and into the job market.

Strategic investment

I have outlined some of the steps we've taken to bring our operation spending under control. But getting a handle on day-to-day costs and overhead is only one part of good management. The other part is knowing your long-term priorities and keeping to them. We have kept to our priorities. We have cut programme spending, but at the same time we've invested more money on capital projects than any government in Ontario ever has. We are building roads, bridges, water and sewage treatment facilities, schools and hospitals. These are the assets that make businesses more competitive and productive, and that maintain the quality of life for people in this province. This is also the programme area in which cuts have the greatest impact on the private sector, because capital spending directly supports hundreds of thousands of private-sector jobs. Moreover, it adds to Ontario's strengths as a place to invest. Crumbling infrastructure does nothing to attract investment.

For all those reasons, we consider our capital spending to be a strategic investment in Ontario's future, and that is why I am proud that we are putting close to $4 billion into this investment. I know that there has been a lot of discussion about this number, particularly about the non-budgetary portion of $1.6 billion. I would like to make some points. First, I don't think there are any firms in the private sector that would put capital spending through their income statements. The accounting profession long ago recognized that there's a big difference between day-to-day expenses and investments in long-term assets. It makes sense for us to adopt the same approach—not just for the sake of logic, but because the outmoded standards of government accounting actually worked against sensible investment in capital. This new approach to capital funding allows us to invest now, when the projects are needed, and to get them finished with certainty as to the availability of funding over the project's life. This means, simply, that projects will cost less and get finished sooner.

The second point I would like to make is that we have always laid out in our budget exactly what we intended to spend on operations and on capital, whether budgetary or not. We have provided essentially the same numbers that a private-sector firm would give in its statement of changes in financial position—only we have given them out at the start of our fiscal year, as well as at the end. People have a lot of different ideas about accounting treatments, but the important element in looking at any entity—private or public sector—is the flow of funds. In our budgets and in the public accounts we have outlined fully the cash flows that underlie our transactions. So we are keeping analysts and investors in the picture as to what we are planning and what we have done.

At the same time, our updated approach to capital investment is getting projects built faster and cheaper. One very important example is Highway 407. With our new approach to capital financing it will be finished by 1999, removing a major transportation bottleneck 16 years ahead of schedule. I can see absolutely no reason to go back to the old way.

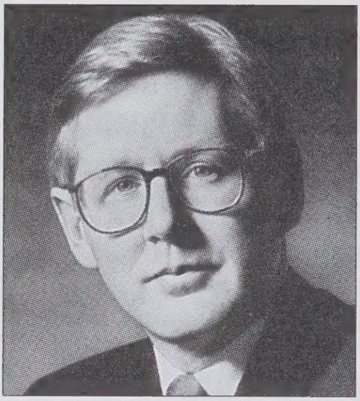
Conclusion

I have given you the facts. People and businesses feel more confident about the future than they did at any time in the past five years. Led by exports and buoyed by consumer confidence, Ontario's economy is poised to lead the G-7 nations over the medium term. We have done our part for Ontario through the recession and into the recovery. We worked hard to preserve services and to keep them affordable. We got a handle on programme spending after years of other governments' mismanagement. We put measures in place to deal with spending in the longer term.

We're doing our part again with our 1994 budget. We're reducing the deficit without increasing taxes. We're cutting taxes to create jobs and we're making it easier to do business in Ontario. We're sticking to our plans to make government work better and get more value for tax dollars. And we have kept sight of our strategic goals. We're investing in jobs, in people and in the vital assets that Ontario needs to be stronger, more competitive and more productive in the new global economy.

The appreciation of the meeting was expressed by Isabel Bassett, President, The Canadian Club of Toronto.

Matthew Barrett, President and CEO, Bank of Montreal, John Campion, President, The Empire Club of Canada, The Hon. Bob Rae and Christine Fuller, RN.



December 6, 1994

Joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Bob Rae

Premier of Ontario

"ADVICE TO THE FUTURE PREMIER OF ONTARIO"

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Shawn Ramos, grade 13 student, Runnymede Collegiate Institute; The Rev. Kim Beard, Rector, St. Bede and St. Chrispin Anglican Churches; Lillian Morgenthau, President, C.A.R.P.; Eric Jackman, Ph.D., President, Invicta Investments Incorp. and Immediate Past President, The Empire Club of Canada; George Cooke, President and CEO, Dominion of Canada General Insurance Company; Dr. Joseph Wong, Chairman, Yee Hong Community Wellness Foundation; The Honourable Floyd Laughren, Minister of Finance for Ontario; Herbert Phillipps Jr., President, The Canadian Club of Toronto; Edgar Ware, President, Futureware Inc. and a Director, The Canadian Club of Toronto; Joe Rotman, President, Art Gallery of Ontario; Gordon Cheesbrough, Chairman and CEO, ScotiaMcLeod Inc.; Frances Lankin, Minister of Economic Development and Trade; Lawrence McBrearty, National Director for Canada United Steelworkers; Matthew Barrett, Chairman and CEO, Bank of Montreal; and Paul Lucas, President and CEO, Glaxo Canada Inc.

Introduction by John Campion

Lord Byron Meets Juares in Ontario

George Gordon Noel Byron, Romantic poet by reputation, was 24 years old in 1812. The war between Napoleon's France and Britain raged on. The Industrial Revolution, though little noticed at the time, was creating the impoverishment of a part of the working class at the same time it wrought its miracles of production. In that year, 1812, the high-born Lord Byron, who had taken his seat in the House of Lords at an early age, gave his maiden speech to the House.

Hand loom weavers had been hit especially hard by the introduction of large, more efficient weaving frames. The resulting loss of income for these workers led them to desperate and violent measures, including wide-spread destruction of the new frames.

In response, Parliament called for the death penalty. The Bill was sent from the Commons to the House of Lords and Lord Byron chose this topic for his maiden speech. In a slashing and passionate speech, Lord Byron opposed these Draconian measures. He lost this debate but the death sentence was seldom, if ever, used as a result of his fine speech against oppression.

Flash forward 77 years, to the Industrial Workingmen's Association Congress of 1889. At that first Socialist Congress, four resolutions were passed which echoed Lord Byron's concern for the miserable conditions of workers namely, an eight-hour work day, universal equal suffrage, substitution of citizen militias for standing armies and observance of May Day.

One man who attended that Congress was Jean Jaures, a Frenchman who, unlike many of his political Socialist colleagues in other countries, was to taste power in France. He was not moved by doctrine but by pragmatism. He lived by action which meant advance and retreat, adaptation and give-and-take. He has been described as a working idealist—a bridge between man and ideas.

It is these three themes—Lord Byron's and the Socialists' concern for the disadvantaged, Socialist doctrine and pragmatism that the New Democratic Party of our province has come to embody—possibly none more than in the creation and implementation of his social contract. This programme met the desperate need of the Ontario government to reduce expenditures while retaining solidarity and jobs for those people working in the Ontario civil service and who were under their charge.

The Ontario Socialists won power at a time when there were fundamental transformations going on in Ontario, in Canada and around the world, namely:

(1) in Canada, we were experiencing the worst recession since the 1930s;

(2) in Ontario, industry was undergoing a major restructuring brought about by the recession, free trade and foreign competition;

(3) the world economic order was under a change where labour, raw material and capital were less important resources and information was becoming the key to economic success.

The Socialists were therefore being met with numerous complex challenges in one of the most dynamic societies in North America. These five years at the helm of Canada's economic engine have been a whirlpool only part of their own making.

The Honourable Bob Rae has been an MP or MPP since 1978. He has a B.A. and a law degree from the University of Toronto and was a Rhodes Scholar from Ontario in 1969. The Premier is a skier, tennis player, golfer, a fisherman and an avid Blue Jays fan. It is with personal friendship and pleasure that I welcome The Honourable Bob Rae to our speaking platform.

Bob Rae

Thank you very much. This speech gives me a chance to reflect a bit on the challenges and choices we have faced together and the challenges we will face over the next year. I thought I might call this speech "Advice to the Future Premier of Ontario." I hope that is me.

When I took office as premier just over four years ago, the government of relative political novices faced a deep recession, with both public and private sectors unprepared for the onslaught of massive layoffs and revenue cuts. Meech Lake had just failed to be ratified, which set off a wave of protests in Quebec. We faced a public with a mood which combined very high expectations with a deep scepticism about politics and public life. I once heard this experience described as learning to play a violin in public. Certainly no private sector institution of any size has to face a similar degree of press scrutiny or public participation.

A public philosophy should never be drawn from thin air or from pure theory, but values matter and have a lot to do with how we assess the experiences that we've had. My own values and experiences should be well known to all of you by now. Ontario makes its way in the world and I think at one time we began to lose sight of this. I think it's important that we understand that this is a very important foundation of the quality of life that we share in the province.

We make our way in the world by making and exchanging goods and services with our fellow Canadians and with the rest of the world. We increase wealth by adding value to it. It used to be that we could do all of these things protected by high tariff walls, with a national policy that assured Ontario manufacturers of their pre-eminence with a guaranteed market in Canada. An abundance of natural resources and a strong market for agriculture provided the same assurances. Now, our natural resources are still strong, our agriculture is productive and our manufacturing is doing, I'm glad to say now, extremely well. But the surrounding context has completely changed. It's no longer that of an isolated national, let alone provincial, economy. We trade our goods with one neighbour, the United States, in a way that has very few parallels in the modern world. About 90 per cent of our exports go the U.S. and that relationship accounts for about 30 per cent of our provincial wealth. Ontario is an international, multicultural and now, proudly, a multiracial community.

We have long prided ourselves on having good services, good health care, good education and a very strong sense of community solidarity. This has been a sense that this province has had of itself for generations. It's a very strong tradition and I think it would be fair to say that it has not been confined to any one political party. We've always been at the centre of this country geographically, economically and politically. The changing natures of the national economy and national politics have, of course, affected that. But every premier has to remember that while others might enjoy the freedom of a marginal or even an ideological role, no Ontario premier has that luxury.

It is certainly true that with the end of the national policy, and now with the very badly over-extended federal government, Ontario's role has changed. We did not do as well at influencing Ottawa in the 1980s as we did in the years before. The federal transfer system discriminates against us very badly and that needs to change. It will change, but it can only change if Ontario finds its voice and has the courage to be consistent in its determination to seek real and transparent fairness in the fiscal arrangements among the provinces and among the federal government and the provinces. Ideologues of all kinds have the view that there is only one way to look at the world and one way to interpret all experiences. This makes for a very blinkered life and a disastrous public policy.

My next piece of advice to the next premier is: Get a life! Laugh as much as you can at yourself and at life. The judgments of others, if always taken seriously, will drive you to distraction. Remember that the media, many of whom are here today (they're my good friends), are not in the governing business. They are in the entertainment business, the information business, the influence business. They have, on the whole, even less of a sense of humour about themselves than politicians, and so leave them alone. Treat them with respect and courtesy, because your rudeness or short temper will only lead to further troubles. The more thoughtful among them know that something is not quite right in their world either. That the world of the tabloid and the instant judgment, instant headline, and the increasing sensationalising that has affected all of the media, has led to public scepticism about them as well.

Remember as well that most people are going through their day not preoccupied about what you do. Ontarians are public spirited, but you test this if you're in their face every day. Politics is not the most important thing in most people's lives. During the last referendum campaign, one citizen said to me, “I vote for you people so I won’t have to think about these things all the time.”

My next piece of advice is that Kipling was right. Triumph and despair are both impostors. No victory is total and no defeat is a complete catastrophe.

Finally, and despite all this, as First Minister I have to tell you that the buck really does stop with you. There is no substitute for leadership and no excuse will do when things aren’t working well. Take charge, insist on accountability from your colleagues, from your deputies, and from your bureaucracy. When Sir Humphrey’s book is written about my experience of government, it will no doubt be called, No, Premier. Government needs direction, it needs movement, it needs inspiration, and it needs cajoling. This has to come from the premier. If you don’t have a mind of your own, it will very quickly be captured by others who do.

A large organisation, on its own, always tends to self-justification. It will always try to explain why the customer is wrong. This has nothing to do with partisanship. It is a fact of life about organisations, public and private. So reward anyone you can find in government or outside who has at least an iota of imagination and leadership. You can’t be the only agent of change. You must talk to people on the outside, and encourage people from outside the government to come and work inside the government. And encourage good people in the government to take a leave for a year or two. The trouble is that a lot of very good people find the rewards of private life too rewarding. A good public servant is someone to be treasured indeed. Be loyal to them, defend their decisions and particularly defend them when they’re wrong. Politics and government are not easy, so don’t make life more difficult than it needs to be by following a simplistic agenda.

Don’t be afraid to change your mind when confronted by facts and arguments that are too persuasive to ignore.

Being accused of flip-flopping is better than doing something that's simply wrong. I haven't met very many people who think exactly the same thing on every issue as they did five or 10 years ago. And the ones who do are often pretty narrow and dreary people. On the other hand, if you're going to change your mind, make sure you have good reasons. And if you do it seven or eight times in a year, you've got a problem. People will accuse you of not having a compass, and they'll be right.

I have a couple of other short rules of thumb. Here's one: there are always more good ideas than there is money. Here's another one: everyone is in favour of restraint in general, but no one likes restraint in particular. Those who benefit from many changes are powerless and disorganised. Those who might lose in any change are invariably powerful and very well organised and, in my experience, very vocal.

Finally, remember that a poll will tell you people's first impression of things based on what's on the top of their minds that day and based on what they've just heard. A poll will never tell you, because it can't, what people will do when they hear arguments. It will never tell you how people change their minds. I remember the Charlottetown Accord which had support in the high 80s the day it was initialled in Charlottetown. It ended up about 35 points lower on the day of the referendum in our own province. Politics is not a simple static, arithmetic game. It involves a complicated, dynamic chemistry. You add different ingredients, you add different arguments, you add different personalities, you add different changes and the reactions are always very different. This is what makes politics interesting, and it always gives hope to those who might on occasion be behind in the polls.

The next premier will be facing a much better economy: a more resilient and competitive private sector, a public sector better able to cope with change, and a province that knew a different recession and now knows a strong and very deeply based recovery. We have growth at over four per cent with 182,000 new jobs since February and absolutely no inflation. I understand that the Leader of the Opposition was here the other week and said that Ontario had a very deep recession and a terrible recovery which was, of course, all my fault. This defies all credibility. The clouds have lifted, the sun is breaking through, the sky is not falling. Things will continue to improve through 1995. I believe, and I've had some external confirmation of this even today, improvement will continue through 1996 and 1997, if we keep our wits about us and refuse to be caught up in partisan rhetoric.

Keeping the economy strong will require sensible interest rates, a continuing emphasis on partnership and innovation in both the private and public sectors and an awareness that a modern economy like ours requires these partnerships. Some reject the very notion of partnership, But I think they're wrong. When we took office, there was no real strategy either for marketing the province or for rebuilding its industrial base. We couldn't impose it and it couldn't come from government, but it had to come from a sense, an understanding, that we're all in this together. In aerospace, for example, the industry in this province simply wouldn't survive without partnership and, indeed, without leadership from the government. If government in this sector disappeared, so would all the jobs. High-tech, high-value jobs. The jobs would simply go to those jurisdictions that understood how the world really works. We're now working with more than 25 different business and industrial sectors as part of our sector development approach. The sectors involved are convinced of the value of this approach. They predict (the sectors themselves, not us) that the industries in these sectors will produce more than 175,000 high-wage, high-skilled jobs in the medium term. These plans have not been built up by government alone.

They've been built up in co-operation with literally hundreds, indeed, thousands of people.

It's interesting to notice the change that's taken place in terms of where people look to leadership for the reconstruction of the Ontario economy. I guess the most dramatic example for me was the difference in the situation involving deHavilland. In the old days, back in the 60s and 70s, when there was an issue about the future of the aerospace industry, there was no question as to where people would go for an answer and that was to Ottawa. And yet when deHavilland went on the market again in 1990, none looked to Ottawa for a real solution. They came to the province of Ontario.

As Ottawa continues to dismantle itself (and this is something which I think we all recognise as the direction that we're facing from the federal government), the challenges for us in our province will grow, from university education to health care, from social services to industrial research. The state that was built in Ottawa in the 50s, 60s and 70s is losing its salience and losing its vibrancy. Part of the answer lies in Ottawa, Queen's Park and the municipalities working out a more sensible arrangement in both taxes and spending. It's important to ensure that as this happens, Ontario doesn't get the short end of the stick.

There are countless challenges we face as a province. A province, for example, with 11,000,000, which receives close to 60 per cent of the immigrants to Canada, has to get, should get, and needs to get an equivalent amount in transfer payments to deal with the problems and the human situation of those immigrants. We now get about 38 per cent of the dollars for 60 per cent of the problem. Quebec gets more than we do with only 25 per cent of the population and less than 20 per cent of the immigrants. This is not healthy; it's not a sustainable arrangement. Nothing is to be gained from not talking about this. It's an unfair arrangement that needs to be changed. And anyone who wants to be premier has to confront this problem.

My opponents say two things. First, they say, don't rock the boat by saying anything, and the second thing they say is, "Well the federal government has such a huge debt, how can you expect them to do anything for us?" And my answer is, Ontario's interests will suffer even more if we do not press our case. If we do not speak for ourselves, who do we think is going to speak for us? It's not a matter of arguing for more money. It's matter of arguing for a fair share of whatever it is that's being apportioned out of Ottawa. We don't get that share now and our well-being is affected by that in terms of our own taxes, our own spending and our own deficits.

Another challenge that we face is that posed by those who say you shouldn't have partnerships. We disagree with those who say that. And then there are those who say we need to have major tax cuts. Mr. Harris (I'm sure you've heard his name) is basso profundo at 30 per cent tax cuts. Mrs. McLeod is a minor variation at five per cent. Here I'm going to say something that I hope will not spoil your lunch. Neither Canada nor Ontario can afford across the board revenue cuts. The impact on services will be too severe. I'm in favour of tax reform for more of what we do to be tied to the ability to pay and for more incentives built into the system for employers to hire employees. But I would remind everyone that we did cut tobacco taxes, for example, not because we wanted to, but because we were forced to—by over $500 million last year, and we did not go back to the well to make it up. We also gave an Ontario payroll tax holiday to employers who hired new workers this year, which cost about 200 million and meant new jobs, we think, for 12,000 workers. More jobs reduce social assistance and unemployment insurance costs. It creates more purchasing power and income, and that, in turn, leads to higher revenues. But if taxes are reduced too much, the higher revenues disappear and the deficit gets bigger, not smaller.

The key for tax reform is to focus on job creation and job retention and to make sure the tax system is broad enough to generate the revenue we need for modern health and education services. And to make sure it's equitable enough that those who can afford to pay do pay. Look at what our government did. We removed the commercial concentration tax, we raised income taxes on wealthier Ontarians, and we brought in the corporate minimum tax and some modest green taxes. We've also taken hundreds of thousands of low-income Ontarians off the income tax rolls altogether. We made the seniors' tax credit far more progressive, so that those with lower incomes get more, those with more money get a little less, and those with more than a certain amount of money don't get anything at all. We've received lots of attacks (this is an interesting experience) on the commercial concentration tax and it wasn't even our tax. It was brought in by the Liberals, and I don't recall getting any thanks when we took it off.

The loudest noises have always come from those with the most money. This is an absolute rule of thumb. This is almost an iron law of public life. There is every evidence that with the recovery, those with money are continuing to do very well. Corporate profits are up, private incomes are very substantial, private spending is up. And we're happy that this is happening. We still see, for example, a small growth in the level of corporate and private charitable contributions. But to think that this province is going to enter an era in which we're going to see a huge reduction in revenue which will then cause a huge reduction in services, because of the impact on the deficit—this, to my mind, is the American model in a crass form, and it's a model which I think we need to examine very, very closely.

Massive inequality in a society like Ontario is not just bad socially and morally, though I believe it is. It is also bad economics. If we continue to leave hundreds of thousands, even millions, out of the benefits of the recovery, all of us will suffer in the end. It is a fact that large gaps between rich and poor breed many social problems. Poorly nurtured infants are more likely to be troubled kids who in turn are more likely to drop out of school, get in trouble with the law, end up in jail, or with a marginal job or social assistance. This all costs money.

Then there's the move we already see in the States to more private security firms, and more private housing estates that are almost like medieval fortresses. The gaps between rich and poor grow. The underclass becomes permanent and feeds on itself. This is not what I want to see happen here. Those who are obsessed with American tax rates have to live with the other half of the equation: American service, and not just services for the better off (which we all know are just fine, thank you) but services for the ordinary working family, which are worse and more beleaguered than ours.

I've met many American governors who say with great pride that they have a balanced budget. I say that's wonderful, but look at their schools, look at their inner cities, look at the quality of life, look at the level of pollution control, look at the level of health care that ordinary people get access to. Look at the level of crime in their cities, look at the violence which they now seem ready to accept almost as normal. None in Ontario would for a moment consider this as normal. That's not what anyone in this room would describe as a high-quality life. If we want to avoid this, and I think we do and I think we can (I think for the most part we have), the services that allow us to maintain an element of stability in our relationships with one another have to be paid for sooner or later. And that's why lately I've been talking more about how we need to control the social deficit, because that's just as much of a challenge, I believe, as curbing the fiscal deficit. It may be a little less easy to identify or even to define, but its effects are every bit as dangerous to our whole way of life, and, I believe, every bit as dangerous to our economy.

I don't care whether you call it altruism, collective self-interest, civic duty or economic necessity. But it all boils down to the same thing: maintaining our quality of life by maintaining and strengthening the social fabric of our society. This is not just a technical argument about tax rates. It's about whether we are, all of us, rich and poor, well-off and less well-off, prepared to accept what it means to live in a community as a community. During the first years of our administration, we went through economic trauma and we decided that we would do what we could to buffer the impact on our society. Not only did we not cut welfare rates, we actually raised them when most jurisdictions around us were cutting them drastically. This contributed to the deficit, it's true, and since Ottawa bailed out in 1989, we took more and more of that burden on ourselves. We did the same with every transfer agency, with every hospital, school board and with every municipality. As we reached our credit limit, because the recession lasted longer and was deeper than most observers, I think including many of you, expected, and as inflation largely disappeared from the system, we decided to share the implication of that—not just in a cavalier way, but in as thoughtful and courageous a way as we could.

We raised taxes, I admit it. We reduced projected spending by about $4 billion and we took another $2 billion out of the public sector payroll through the social contract negotiations, through the social contract agreements and finally through legislation.

Since then, we've held steady on all fronts. No net tax increases, programme spending down for the second year in a row and a clear message, which was delivered I think brilliantly yesterday by the Minister of Finance, that there's no money being stashed away for the election or post-election. Yesterday Mr. Laughren told our major transfer partners that their funding will remain at current levels. Funding for social service agencies will stay at current levels and so will social assistance rates. We'd like to be able to promise this forever and ever. But if Ottawa decides to take an axe to our transfers, it is going to cause serious problems. Any discussion of our fiscal relationship with Ottawa has to lead to our social programmes. It should be clear right now what our direction is.

I believe that our government, our party have been much, much closer to the spirit of compassion and the sense of community demonstrated by the people of Ontario over many years than the mean-spirited approaches which are being urged by others. We want to reform the social safety net. We all recognise that that has to happen. But the trouble with nets is that once you get entangled, it can be tough to get out of them. Instead of a net, what we need to provide is a springboard which gives people the opportunity to bounce back from problems, to recover their balance and return to a productive way of living. We recognise that our welfare roles will never be zero, but they do need to start coming down as employment grows and as prosperity returns to the economy. That's exactly, if I may say so, what we've done. We've given people the opportunity to improve their skills through remedial education and through training, through jobLink, through our steps to employment programmes, through jobsOntario Training, where we've got 65,000 positions created and a steady reduction in the rate of social assistance. And of course, we're moving ahead with our partnership with business and labour in the development of a new agenda for education and a new agenda for training. By doing so, and by creating this new sense of balance and participation in our society, we're bringing our fiscal deficit down, and we're bringing our social balance deficit under control as well.

So what do we have now as opposed to what I faced when I took office? When I took office, we had unemployment heading up every month. The figures used to be dreaded; now we look forward to the Fridays when Statistics Canada comes out with the employment results. Inflation continued. Hydro rates were going up at close to 10 per cent. We had inflation, in terms of government costs, in every aspect of what government was doing. Social assistance numbers were growing. Revenues were collapsing.

What's the situation now? Our revenue base is healthy—not spectacular, nothing unusual, but healthy. Unemployment numbers are coming down very, very healthily. Social assistance numbers have come down steadily over the last seven months and will continue to do so, we hope, across the province. And we're seeing a much more virtuous and healthy circle than we've seen for some time.

Business confidence in Canada and in the province of Ontario is higher than at any point since 1979. Consumer confidence is returning. We've turned Ontario into a place for the productive economy to invest. Just ask somebody in the auto industry about the $5 billion that's been invested in this province in the past three years. Our total manufacturing compensation, including wages, has not been extraordinarily high. In fact, we're now far more competitive than we were when we took office. Our manufacture and union labour costs are down 22 per cent in the last three and a half years. That's another reason why many manufacturing jobs, that some said were gone forever and would never come back, are back. We now have a province which is better trained, more adaptable and closer to the cutting edge.

In conclusion, I want to say a word about one other challenge that we face that I believe is quite central to our life as a province. I watched M. Parizeau's speech and listened to him carefully in his presentation. I want to say to all of you that I, as a Canadian, am deeply confident about the future of our country, but I also want to say to all my fellow citizens in this province that we cannot afford to be complacent. This is not a time for either stridency or weakness. Many Canadians no doubt feel powerless to deal with this issue again. But the separatists are banking on that, hoping that Canadians will now sit back, exhausted with the constitutional tango. Well, as your premier I can tell you this. I am not going to sit back. And it is vitally important that none of you sit back. We have a right. In fact, I think it's our duty as Canadians to say that the political, the economic and the cultural union that is Canada has benefited all of us. It's benefited Ontario. It has also benefited the province of Quebec.

We don't want constitutional uncertainty to take precedence over the economic and social recovery which is underway in this province and which, we believe, can be underway across Canada. Maintaining a steady climate in terms of our constitution as well as in terms of our economy is the key to maintaining the economic and social fabric of our country.

When I met with M. Parizeau I said directly to him, "Do not underestimate our commitment to Canada. Do not underestimate the strength and the depth of our feeling that Quebec is an essential part of Canada. And be sure of this, Ontario will always stand up for Canada." M. Parizeau might have made a point of telling us, "Don't worry, this is all going to be easy. We'll share the dollar. We'll share your passport. And we'll sort out the debt and all those other tricky issues with some good negotiations and a handshake." None of this is very real to me. M. Parizeau isn't negotiating in front of a mirror. He's in no position to give these assurances, because Canada is a democracy and Canada will have something to say as well. There's no way any of us knows and there's no way any one of us can know, because it's an experience that none of us has ever known, what are the consequences of breaking up a country like this. But I can only tell you that I cannot see any circumstances, and I cannot imagine any circumstances, in which breaking up a country with a tradition of civility and partnership like Canada could possibly be positive either for Quebec or for any of us.

We have always had in this province a very passionate belief in Canada. We believe in our federation, in the strength by our diversity. We need to give the people of our province good reason to re-ignite that passion. I think that moment has come. We need to give them reason to stand up once again for Canada, to maintain what the United Nations has called, rightly so, the best place on earth in which to live. I can tell you that as premier my commitment to this country and the unity of the country is unwavering. And with your support and with your commitment, we will do everything we can to see that the country stays together.

Mr. Chairman, I've given you a brief survey of some of my experiences and observations. Above all, I think I would say that being premier is a matter of constantly looking for a balance: a balance between economic and social policies that provide a healthy mix for growth and job creation, but do not go overboard in the quest for selfishness or for self-interest, and a determination to find policies which, rather than reinforce dependency, help people find their way in the world, which is going to be a very open and very competitive place. But we do not want to lose our sense of the need for compassion as well as the need for productivity in the work that we do.

We must recognise that government still has a legitimate role. I am not on the bandwagon of those who say that the answer to all of our problems is to simply get rid of government. I believe that government has a productive and effective role to play. I also think we've demonstrated in our time in government, our commitment to change in government, to making it productive, to making it a true partner with the private sector, with the business community, with labour, with working people, with trade unions, with everyone.

So balance is the key. I simply want to say to those who are here that I think regarding the approach that we are offering in terms of the country, our relations with Ottawa, our relations with all of the people in the province of Ontario and our determination to continue to provide strong, effective leadership at a time when it's required, this is the determination that I continue to have as your premier.

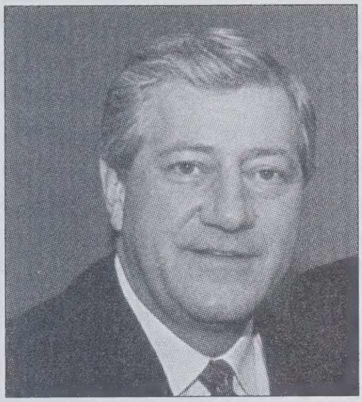
I look forward very much to what is going to be, without question, a very interesting year in 1995 and I appreciate the opportunity to share these thoughts with you today.

Thank you very much.

The appreciation was expressed by Herbert Phillipps Jr., President, The Canadian Club of Toronto.

George L. Cooke, President and CEO, Dominion of Canada General Insurance Company and Dr. Eric Jackman, President, Invicta Investments Incorp.

Edgar Ware, President, Futureware Inc. and Herbert Phillipps Jr., President, The Canadian Club of Toronto.



February 22, 1995

The Hon. Michael Harris

Premier of Ontario

"COMMON SENSE REVOLUTION"

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Jan Dymond, Vice-President, ZED Communications and a Director, The Empire Club of Canada; The Rev. Dan Cooper, Minister, Little Trinity Church; Dr. Reginald Stackhouse, President, Stackhouse Consulting Inc. and a Past President, The Empire Club of Canada; Jane Pepino, Q.C., Aird & Berlis; Peter Van Loan, President, Progressive Conservative Party of Ontario; Denise Cole, Public Policy and Political Consultant, McFoy, Cole & Associates and a Director, The Empire Club of Canada; Jennifer Haverhals, grade 13 student, Danforth Collegiate and Technical Institute; and Robert Schultz, Chairman and CEO, Midland Walwyn Capital.

Introduction by John Campion
Charge of the Right Brigade

Lord Liverpool, the Tory Prime Minister of Great Britain from 1812 to 1827, had been in Paris in 1789 and watched the mob storm the almost undefended Bastille and massacre the garrison. It left a lifelong impression in his mind of the fragility of lawful authority which hesitates in the face of violence which could seize an aroused populace once it realizes that the powers that be have lost the will to govern.

The background to the events of the perilous years from 1790 to 1820 is one of war, political revolution and a dangerous recession. It was also years of industrial revolution and an enormous population boom in Europe.

These twin forces of industrial revolution and population growth created extraordinary opportunity for some and equally harsh disadvantage for others. When John Quincy Adam, the American Minister, visited London in November, 1816, he walked the streets of that fair city and wrote, "The extremes of opulence and want are more remarkable and more constantly obvious in this country than in any other that I ever saw."

The question that the political, industrial and agricultural elite of that day asked themselves was: "Can the centre hold?" This question is central to any state at any time and it is particularly relevant today in Canada, but in a different context.

We in Ontario are, as are many places in the world, facing an unprecedented technological revolution which is world-wide in scope. The control of our federal and provincial economy has moved from governments, central banks and state-centred industrial policy to international forces which are unelected, not responsible for the public welfare and brutal in their scope and efficiency. No one can hide. Change is clearly upon us. The question arises again—can the centre hold? We in Ontario, Canada and in the Western world are facing the twin horsemen of rapid dislocation and enormous world-wide population growth.

In this year of election in Ontario, the electorate could rephrase the fundamental question and ask: "Can Ontario be won electorally from right of centre?" The governments of Ontario from Lesley Frost, John Robarts, Bill Davis, David Peterson and Bob Rae have all won their mandates from the centre or centre left. The Leader of the Progressive Conservative Party holds a different view. The Common Sense Revolution is the platform of that party. That platform was created by those who are convinced that Ontario is ready for a right-of-centre government. It was an audacious one because it seeks to persuade Ontario that there is nothing less than a new political coalition which has been formed in Ontario.

In any election, forces of a local, as well as a provincial and national kind, are at work. People are reminded of their lot in life and if those circumstances are found to be wanting, then the voters' wrath can be brutal to existing governors and their attention diverted to radicalism, simplicity and victimization. Has Ontario politics adopted a new right of centre coalition? Time will dictate whether the Harris Revolution is merely a flirtation with populism and a serendipitous lurch to the right—being the only visible life-raft then perceived—or is a permanent fixture of political Ontario.

The person leading the Tory Party, Michael Harris, was elected its leader on May 12, 1990. Before entering public life, Mr. Harris was in the tourism and recreation business and a former school teacher and member of the Nipissing Board of Education. He was elected to the Ontario Legislature in 1981 as MPP for Nipissing. He was appointed to the Ontario Cabinet in 1985 and served a short term as Minister of Natural Resources and Minister of Energy. In opposition, Mr. Harris served as Conservative House Leader and had a number of responsibilities as critic for revenue, labour, housing, finance and northern development.

In his spare time, Mr. Harris is an avid sportsman, golfer, skier and bridge player. Please welcome Mr. Harris.

Mike Harris

Mr. President, head table guests, ladies and gentlemen:

It is a great honour and a privilege to speak to the Empire Club, one of Canada's oldest and largest speaker's forums. John, thank you for that kind introduction, and thanks to the Empire Club for inviting me to address you during these interesting political times in our province.

We are on the eve of an election in Ontario. Whether the current premier visits the lieutenant governor next week or in the next few months, I know that many—like me—are waiting eagerly for this election.

We have an opportunity to create a new direction for our province. We can create jobs. We can create growth. We can bring back opportunity and hope for Ontario. I personally am looking forward to the challenge. I believe we need a vigorous debate of the issues facing Ontario.

With that reality before me, I began thinking about my remarks for today. I want you to know that as I review for you where we are in Ontario, and the changes I believe are required, I am optimistic about our future. I am confident that we can change direction—that we can grow, prosper and create the hundreds of thousands of jobs required for Ontarians to get back to work. I know that this great province can once again lead Canada. We can lead Canada out of tough times. With a plan to balance our provincial budget fully and create growth and jobs, we will be in a position to help the federal government and be part of a national solution to our fiscal and economic challenges.

I would like to share some thoughts about the political process, and what I believe this next provincial election can be all about. Before I get into specifics, I would like to give some context to my thoughts. I have had the opportunity to meet with hundreds of thousands of people across this province since I became leader of my party. I have gained many insights. I have listened, and I have learned. I have heard many personal stories. One is still with me after more than a year:

At a town hall meeting in Wawa a man said to me, "Mr. Harris, I obey the laws, I pay my taxes, my wife and I are both working harder and harder and yet at the end of each of the past five or six years we have found ourselves further and further behind. We've done our share. We've made our cuts and made our sacrifices. When is the government going to do its share?"

This sentiment has been repeated in different words in almost every community I have visited. It's something I think about as I prepare for this election.

Let me share four things I have observed in my travels across Ontario. These observations in turn led me to set four goals for myself and my party in the coming campaign. First, our political process has lost much credibility in people's eyes. Many I speak with have been disappointed by politicians of every stripe. We must change that. Second, there is a belief that our governments have become too large, spend too much of our money, and have lost touch with the people. We must change that. Third, there is a belief that the political process is artificial and doesn't provide voters with the chance for genuine input. We must change that. Fourth, there is a belief that all politicians will say one thing to get elected and do another once in office. We must change that, too.

If Bob Rae, Lyn McLeod and I are prepared to address these issues squarely, not only will the Ontario election be a very different campaign, it will be a campaign that respects the intelligence of the voter. It will be a campaign that helps restore the integrity of the system and gives the people of Ontario the quality of debate and dialogue they deserve in this democratic process. It will be a campaign that respects the underlying strengths of our province and offers a positive future for our citizens.

Ontario can do better. We can achieve so much more. It will take hard work and some tough decisions, but I firmly believe Ontario is worth the effort.

The next government will face some very large and difficult challenges to bring about the growth, jobs and opportunities for the future. In this coming election, I want to encourage an honest dialogue about the solution to those challenges. Ontario has been called the engine of economic growth in this country; it should be and can truly be a great place to live and work, with fairness, and compassion and prosperity for all.

Last May, I unveiled a detailed and comprehensive plan for change that, as Ontarians have told me, can put us on top. We call our plan the "Common Sense Revolution." It's a plan to unleash the great untapped entrepreneurial spirit that still exists in this great province by reducing tax rates, waste and the size of government itself, while at the same time protecting essential programmes—such as health care, policing, and education.

The cornerstone of our programme is a 30 per cent rebate to the people of Ontario in their personal income tax rates. It will return to taxpayers $4 billion that's currently being wasted by politicians and bureaucrats. How taxpayers save, spend, or invest this $4 billion will create a real climate of consumer confidence, renewal and growth. When fully implemented over three years, this tax rebate is equivalent to a 13 per cent increase in pay for the average Ontario family. That works out to an extra $2,000 a year for the average family, or about $170 each month. Some say this can't be done. To them I say, put it in perspective: we're talking about moving to the same tax rates on income as Alberta. Our personal income tax rates will still be higher than all of the U.S. states we have to compete with.

Since he's been in office, Bob Rae has hiked taxes by $4 billion: $1 billion in the first year, $1 billion in the second and $2 billion in the third. We're proposing to give back $2 billion in the first year, $1 billion in the second and $1 billion in the third.

This will return our total tax rates to 1990 levels. Bob Rae says his tax increases must stay. Lyn McLeod, despite voting against them, won't commit to roll them back if elected. The options are clear. There is only one plan that advocates major change and significant tax cuts. This tax rebate is, most importantly, the single largest private-sector job-creation programme in Ontario's history. I believe that by letting Ontarians spend, save and invest their money the way they see fit, we will create thousands and thousands more jobs than any government job creation plan ever could.

Now, to afford lower tax rates, and still fully balance the budget, economic experts tell us that, under our plan, we need one dollar and fifty cents of spending cuts for every dollar of tax cuts. We need to spend $6 billion less. That would take the current provincial budget of $56 billion back to $50 billion. That is the same as the last Liberal budget, indexed for inflation. We show in our plan that we can achieve $6 billion in savings by eliminating waste, reducing the number of politicians, bureaucracy, and expensive programmes that either aren't working or aren't needed. Successive provincial auditor's reports have detailed the waste. Our plan acts on those recommendations. By targeting these areas for savings, we can guarantee funding of other priority areas: health care, education in the classroom and policing.

Along with lower tax rates, we will also encourage private-sector job creation by reducing barriers to growth that have been erected by government. The payroll tax, conceived by the last Liberal administration, will be eliminated for all small businesses. Energy costs will be frozen for five years. Trade barriers will be abolished, and job-killing regulation, such as the NDP labour laws—Bill 40 and Bill 91—will be repealed. We also propose new and more positive approaches to welfare, social housing, and health care, with the view to helping far more people—better and faster—and for less cost to taxpayers.

A Harris government, for example, will significantly change the welfare system in this province. We will tighten eligibility and institute a programme requiring able-bodied recipients to work or take retraining in order to be eligible for their benefits. Our welfare reforms are designed to change the system from one of despair and dependency to a system that provides skills, training, experience, and the dignity of a job. Some people call it "workfare." I call it common sense.

Our plan has many specifics and details on how we can restructure government to deliver more with less. I won't have time to enumerate them all today, but there is one in particular I would like to draw to your attention. Given the credibility gap that I know exists, we wanted to send a signal that things can be different—that we are serious about change. So we begin with ourselves, the politicians who are at Queen's Park. And so, a Harris government will cut the number of MPPs at Queen's Park from 130 to 99. This is a reduction by 24 per cent in all the bureaucracy and spending on newsletters and staff supporting each MPP. How we can do this is really quite straightforward. There are currently 99 federal members of Parliament for Ontario. We'll adopt the federal boundaries for provincial ridings and we'll work with the Government of Canada to develop one elections system with a common set of boundaries and a common voters' list.

We will eliminate the tax-free allowance for provincial politicians. We will also scrap the gold-plated MPP pension plan and institute a Retirement Savings Plan like all professionals have. It's not tinkering that's required—as some have suggested—but scrapping an elitist system and bringing in a fair, realistic RSP system.

The Common Sense Revolution plan is a plan to change how government operates; to restore the balance between the private sector and the public sector. It is a growth and prosperity plan to create 725,000 jobs. With growth and spending reductions, this plan will fully balance Ontario's budget in four years.

If you would like to read more of the details contained in the Common Sense Revolution for yourselves, then I encourage you to do so. You can obtain your own copy by calling 1-800-0-903-MIKE. Our plan embodies the values of hard work, initiative, family, community and self-reliance. These are the values that people have told me they want in their community and in their government. This is a plan for major change. Those politicians who embrace change, who listen to the people, and who offer responsible and responsive leadership, have met with success. Where change is ignored, however, the vacuum has been filled in by protest movements. The winds of change that are sweeping the world are also sweeping across our country. If we ignore them, not only will the world pass us by economically, but our nation will be beset by internal conflict, as region turns against region, and voter turns against voter.

By proposing this plan, I want Ontario to be part of the national solution. The best contribution we can make in Ontario to a strong and united Canada is by having a strong and growing economy. Never before has an opposition party published such a comprehensive plan of action for positive change—in detail, and in writing—a full year in advance of an election. I am proud to say I have a plan of action for a first term of government. I want to get a mandate from the voters to make these changes. And, I want to be accountable.

I outlined four broad goals at the outset. As you can now see for yourselves, by being specific, by publishing our platform well in advance, and by inviting dialogue, we are respecting the intelligence of the voters. By publishing our programme a year before the election, we wish to address the voters' frustrations with the process. We want them to kick the tires, to look under the hood and make an informed decision.

We are laying out a detailed plan to reduce the size and cost of government. This plan is designed to offer solutions to the problems faced by Ontario. They aren't right wing, or left wing, they aren't PC, or Liberal, or NDP. They are the kind of new ideas being developed by a new generation of leadership in this country. Leadership shown by premiers willing to tackle tough problems and to develop common sense solutions; premiers who are solving their own problems—not pointing fingers, not asking for more from another level of government but simply restructuring their own government's priorities and ways of operating.

It's turn-around management like the type developed and implemented by Premiers Klein of Alberta, McKenna of New Brunswick and Romanow of Saskatchewan: three different premiers, in three different provinces, of three different parties. They have different characteristics for their different circumstances, but they have all demonstrated the courageous leadership to make the changes required to solve their fiscal problems, to balance their budgets and to be part of the national solution. Ontario very much needs this turn-around management. We need courageous leadership to face our problems head on.

I believe that Ontario can do much better. I believe in our people, our employers and our workers. We are seeking support in this next election for this type of leadership: a vision of hope and prosperity, of jobs and growth.

We have a well-thought-out, solid plan to restructure government—to be able (as others have done) to deliver better programmes for fewer dollars, to balance Ontario's budget fully, to have more jobs, and to make Ontario a magnet for investment and growth. We have a very talented team of men and women across this province who believe, as I do, in our plan, in our province, in Canada.

On the eve of this historic Ontario election, we intend to earn the support and trust of the voters of Ontario, so that together we can bring real, positive change to the lives of every Ontarian. With determination, we truly can make Ontario a great place to live, to work and to raise a family.

Thank you very much.

The appreciation of the meeting was expressed by Dr. Reginald Stackhouse, President, Stackhouse Consulting Inc. and a Past President, The Empire Club of Canada.

June 9, 1994

Joint meeting of The Empire
Club of Canada and The
Fraser Institute

Dan Quayle

44th Vice-President of U.S.A.

"STANDING FIRM"

Chairman: **David Race**
The Fraser Institute

Introduction by Warren Jeston, Trustee of The Fraser Institute

Ladies and gentlemen, my name is Warren Jeston, I am a trustee of The Fraser Institute and today I have the distinct pleasure of introducing Vice-President Dan Quayle.

We live in a world of instant information and opinion. Media sound bites form a lasting impression almost without doing justice to the substance of the issues involved. Our guest speaker is no stranger to the slings and arrows of media scrutiny. He has experienced first-hand the enormous impact that small events can have on personal reputation; events that are in no way a true measure of this man. Never afraid to take a firm stand on contentious issues, Mr. Quayle took considerable public heat for his comments about the TV character, Murphy Brown. Lost in the media free-for-all on his remarks was the central message, that the root cause of much social unrest is the spread of a new poverty, the poverty of family values. These traditional family values which seemed to ebb in the 1980s and the 1970s are now being embraced by the very people that criticized them. Suddenly a growing number of people recognize, as the Atlantic Monthly succinctly put it, that Dan Quayle was right.

Elected to the House of Representatives at the age of 29, Dan Quayle subsequently served eight years in the Senate before being chosen as George Bush's running mate in 1988. This already impressive list of political accomplishments may have grown longer still, say in 1996. Dan Quayle is today Chairman of the Competitiveness Centre of the Hudson Institute. This Centre is a non-profit, non-partisan think-tank focused on helping the United States meet the challenges of global competition. A graduate of Indiana University Law School, he has recently returned to his roots, re-settling in the Indianapolis area with his wife, Marilyn, and their three children. He writes a weekly newspaper column, continuing a strong family tradition in journalism. His journalistic and political talents are on display in his book, *Standing Firm,* which I have read and I highly recommend. It is quite a good read, full of political insight, and, from what I could see, doesn't contain a single spelling mistake.

Thank you. Please join me in welcoming Dan Quayle.

Dan Quayle

Well, thank you, Warren, and I note for the record (in the recognition of my world-class spelling ability) that we did not have quail, but we did have potatoes.

We're going to have some fun today. I'm going to speak for approximately 30 minutes and then we'll reserve the remainder of the time for your questions. We'll talk about a number of things. We'll talk about the book, obviously. I'll give you my objective and unbiased viewpoint of the current administration in the United States. I'll tell you a little bit about the Republican Party and some of the issues of the day.

First, let me just acknowledge Toronto. I'm delighted to be at The Fraser Institute. I know that I'm in very good hands because the first two individuals that I met as I walked in the door at the reception had Adam Smith ties on. I don't think everyone can recognize an Adam Smith tie, but I certainly do. I'm a strong champion of Adam Smith and the invisible hand, and so I knew that I was fairly welcome, at least with certain people of this fine institute. I also want to pay respects to—although I guess this year is a little different—your baseball team. You know, back-to-back championships are wonderful. I want you to know that in the United States, Toronto's is a very popular baseball team, and the reason it is not number one in too many of the cities, but is always number two, is the intense competition we have between Detroit and Chicago, Chicago and St. Louis, and New York and Baltimore. And Toronto is just less hostile. So Toronto is very much of a favourite. But it's very difficult for someone like myself (who grew up in Indiana and listened to the White Sox games, and used to be able to recite the RBIs and the home runs and the whole bit chapter and verse) now that Canada has taken over in baseball. My only lament is now you're going to get into basketball. Now I come from Indiana, where we take basketball very seriously, so just be careful. I'll be glad to say nice things about your baseball ability, but I'm not so sure that I can overcome my biases and say these things about basketball as well.

Well, let me give you a catalogue of what I have been doing since I've been out of office. Obviously, I've written a book. It took 16 months. I do a lot of speaking. I'm with the Hudson Institute, as Warren pointed out. I travel all over the country. I do a lot of speaking. I find out that the aspect of recognition is a little bit different today than it was when I was Vice-President. When I was Vice-President, obviously there wasn't any problem with recognition. If you had problems with recognition, the Secret Service would help you along. You'd be there with all of them, the limousines, the planes, and all that paraphernalia. But now that I travel by myself, and go into meetings unaccompanied, people aren't necessarily sure about whom I am. I was speaking in Idaho several months ago. I run in the morning, so when I got on the elevator early in the morning, I was in my running outfit. There were a couple there, and I could see that they weren't too sure whom I was. Finally the lady got the courage to look at me, and she said, "Are you whom I think you are?" I said, "Well, Ma'am, that depends on whom you think I am." And she said, "You're Dan Quayle." I said, "Yes, I am." And she waited about 15 seconds, and she drilled me right in the eyes, and she said, "No, you're not." So I could go on and regale you with stories of whom I am and whom I'm not. The recognition factor does diminish quite rapidly.

As far as the book is concerned, my objective in writing it was just to tell you my personal story. It is a personal, political story of how I took unprecedented abuse from the very beginning of the 1988 election campaign. If you want a summary of the book, it's this. Nineteen eighty-eight was a political victory for me in that I was elected the Vice-President of the United States, but it was also a personal defeat. There is no other way to describe it. Nineteen ninety-two was just the opposite. It was a political defeat—the first time in my life that I ever ran for political office and lost—but it was a personal victory. I was out there articulating a vision for the future. It was a very good campaign personally and a very good debate, but even though it felt good inside, the political results were that we were defeated.

The book also discusses some important lessons to be learned not just in politics, but in life. The very fundamental lesson learned for me—and I made this mistake in 1988, which helped contribute to the unfair and untrue caricature of me that was formed—is that I quit trusting myself. I had risen to the top of American politics at a young age, the age of 41. I was elected to the House at 29, and beat a sixteen-year incumbent. I was elected to the Senate when I was 33, defeating an eighteen-year incumbent who was a political giant at that time in the State of Indiana. I was nominated to be my party's Vice-President at the age of 41. I had an upward momentum, I was at the top and I had always received very favourable press, even from the National Press. So what happened to me was totally unexpected. It just came out of the blue. I hesitated. I showed that hesitation, and unfortunately hesitating and not trusting myself became part of the rationale to create this caricature of me. And that's a very valuable lesson, one that doesn't apply just to politics. It applies to life. You have to make the decisions. You have to know what you can do, what you are willing to do, and then trust yourself. You can get advice, you can have people around you but ultimately, you are the message. You're the one. I write about this and I talk about it.

There are some political lessons to be learned from my writing about what happened to me. Lesson one: in politics you cannot adopt your opponents' objective and expect to win. That is clearly what happened with us in the 1992 campaign. We unfortunately adopted Bill Clinton's agenda. And his agenda was that the economy's stupid. That was the bumper sticker, that was what it was about. The Republican campaign bought into this, and convinced the President and others that it was the only thing that we could talk about. In other words, don't mention foreign policy because that would be perceived as George Bush not getting it. Well, now we're finding out that foreign policy is quite important when you elect a president of the United States. But the campaign went so far as to suggest that the President shouldn't see heads of state because he would be perceived as paying attention to foreign policy when the economy was the prime concern. That was their agenda. Our agenda should have been: "Here is a president who has delivered as president, and here's what he will do for the next four years." But we never got to what we would do for the next four years. We got bogged down in polling data and focus groups, with no communication strategy.

Another lesson to be learned in politics is: when the campaign chairman is to be selected for a presidential campaign, do not select a pollster. Pollsters are important and they are very good, but pollsters don't make decisions. They're not paid to make decisions, they're paid to feed information. They'll tell you, "Well, here's what the data is. You can go this way or that way." They just don't make decisions. Still it is a profession that we respect, and it is very important.

I wrote the outline of the book right after the election in 1992 and the book pretty much follows along the short outline. It's a story. There are a lot of interesting chapters in the book. One chapter is called "Meeting the Media" which is followed by another chapter called "Feeding Frenzy." You can see where that one's going. I do have a chapter in there about Murphy and me. You can guess what that one's about. As a matter of fact, I put the whole so-called Murphy Brown speech into the appendix. I put in that speech, the lawyer's speech and a speech that I made on the moral justification of a nation going to war. Those are the three major speeches that I made in my four years, so I just put them in the book. Especially the so-called Murphy Brown speech that everyone knows about today. And you had that one non-controversial line in the speech that got all the attention. The speech was, as Warren said, about the poverty of values. I was lamenting that in America today we are gripped by a poverty of values. We can see the families breaking down; we can, in effect, see civilization in some sectors of our society breaking down and disappearing before us, and being replaced by violence and by quasi-anarchy.

What I was trying to do was to inject into the national debate a discussion of values. I had given considerable thought to this. In my career in Congress, I wrote the Job Training Partnership Act, which is employment training legislation intended to help people get jobs through education and the development of skills. Education was very important. But still more important were those who were helping these people and especially the kids. The kind of direction and attention that the kids need is never going to be delivered by just an institution or by government service. Public policy would not necessarily get us there through government action. It's really the individual accountability. And that is what I was trying to address then, and I continue to address it.

Looking at the statistics today, they've got worse since that speech I made in 1992. I could give you some statistics. This is not a political, ideological statement. These are just hard, cold statistics. A never-married female head-of-household today has an average pre-tax income of about $9,000. A head-of-household of dual wage earners, for two people in the same home, a mother and father, have a pre-tax income of $43,000. That is a huge gap. Of never-married single mothers, 65 per cent are on welfare and 40 per cent of them have not graduated from high school.

Now those are the statistics of the never-married single female head-of-households. What happens is that this generational thing repeats itself and becomes part of our culture. What we need to do is to put our children first, and to think of them and their priorities and what is in their best interests. I am to this day amazed at the amount of ridicule and abuse that I took for mentioning that perhaps it might be in the best interests of our children to be raised in intact families—not that other children can't make it and won't make it, but merely that it might be in their best interests. Unbelievable reaction.

But today, it's changed a little bit. What goes around, comes around, and even the president of the United States now agrees with me on the issue of family values. I hope that he continues this discourse. I hope that he continues the conversation because we need to have it. He's the President; I'm not. When I raised the issue he said that what the Vice-President is trying to do is to divide the country. Well, he's raising the issue now and I'm not going to say that about him. I'm going to say that this is an important issue. We have a tremendous problem of illegitimacy in America. Eighty per cent, in some sectors of our cities, are born to unwed mothers—80 per cent. Nationwide, it's almost a third. We simply cannot continue in this direction. There are some government responses, but they are limited. We can eliminate the marriage tax penalty and encourage an additional exemption for our children, indexing it to inflation and making it $8,000 instead of the $2,300 that it is now. We can radically change the welfare system, for example to deny additional benefits for having children. That shouldn't be a consideration in having children, that you are going to get more income from the government. We could perhaps start a crusade about the importance of parenting and the responsibility of the mother and the father. The fathers come into this as much as the mothers, because raising children is not just a mother's responsibility. Fathers have responsibilities as well. We can do some of those things. And we can also encourage non-governmental institutions such as the media and the entertainment industry to be supportive of our crusade, for they have a tremendous amount of impact upon our culture. What they have done in the campaign against smoking, and, in some cases, the campaign against illegal drugs, has had some success. So when we get together, we can make some progress. So I hope that the President is successful in this area of adopting a discussion on family values. He should continue that.

With regard to the Clinton administration, on the other hand, obviously I have some disagreements. I will tell you what I think about them and where we are going as a nation. I'll give credit where credit is due and say that Bill Clinton is, in fact, a much better communicator than I had supposed. He was good on the campaign stump, and he is a good extemporaneous speaker and he has adopted an in-your-face type of communication style that plays well for him on domestic matters. He doesn't care if it's on TV or on Larry King, for wherever there is a microphone, the press will be. This is a little different from the fireside chats, or when Reagan would give big speeches. There were always big crowds. Bill Clinton is just in constant communication with the American people, and on domestic matters it serves him quite well.

On the economy, the economic cycle—and I am one who watches these things fairly closely—he has caught a fairly good cycle right now. I might add that it was the 12 years of Republican rule, if you will, that set up the foundation and the pillars for this economic growth and the cycle that he has caught. The question that we have, as we head toward not necessarily '94 but '96, is whether his increased taxes and regulatory policies will interrupt this cycle and will stagnate the economy. Allan Greenspan, who has a very firm idea and fix on this, evidently (according to the Woodward book that was just written) has quite a bit of influence on Bill Clinton. The way things work in Washington, now that this is out and it is discussed how much influence that Greenspan had on Clinton, I am sure it would be diminished because that's just the way that Washington works.

But be that as it may, the economy is fairly solid right now. Actually that is very good for Canada right now. We receive 83 per cent of your exports, so that's good news for you. You'll be exporting more to the United States as we continue to grow. My caution is in one area, and that is the whole health-care debate that is raging in our country, and the impact that it will have on small business. I don't know what the outcome will be. I am convinced that a piece of the health-care legislation will probably pass, and it will pass because Bill Clinton and the House Democrats have made this their issue. There is no way that they can return home for the elections this fall and blame it on the Republicans, unless the Republicans get bogged down (which they won't do) and have extended debate in the Senate. But the Republicans are not going to get into an extended debate. It will pass at some time if the Democrats get together. I can't tell you what it will be.

My hunches are that a fairly serious small business exemption will be a part of it, that the mandates that will be provided by the government will be phased in and that the benefit package that will be also entailed by this will also be phased in so that Congress will be able to have it both ways when they return for elections.

That is one of the reasons that I am violently opposed to our government running our health-care system. Our government running the health-care system with 17 per cent of the GDP is simply not going to work. Quality will be compromised. Cost will not go down, it will go up. We will not have timely access to health care. We may have access to health insurance, but we will not have timely access to health care if the government runs it in its normal bureaucratic way. It simply won't work the way it is set up. The risks are great, the stakes are quite high and the intensity is keen in Washington on this piece of legislation.

On the foreign-policy scene, I think that this is where the administration is certainly less sure-footed. You can see when they come before the cameras, notwithstanding what President Clinton did on D-Day. The performance and the speeches went fairly well; you have to give him fairly good marks for that. It was a good ceremony, and it was important for him to be part of it and to remind us of history, and to pay our respects to those who have made the ultimate sacrifice. He had obviously some baggage to carry there. It came off reasonably well.

Having said that, on the issues that are confronting him, it's an entirely different story. He's got a full plate from North Korea, to Russia, to Bosnia, to Haiti, to Somalia. I don't think that Bill Clinton, until he became president, really thought a lot about foreign policy. I can't blame him for that. He was the Governor of Arkansas, and, as the Governor of Arkansas, he just wasn't involved in all that much foreign policy. I really don't think that he really understood it. I think that he is obviously a very quick learner, but I really don't know (and most people really don't know) exactly where he does come from. But I know where his advisors come from, and if you have a president who doesn't pay a lot of attention to foreign policy, or is not terribly steeped or well-versed in it, you have to go to the advisors to try to ascertain where the administration is going to go. And if you look at Warren Christopher, or Strobe Talbott or Tony Lake or Mr. Tarnoff (who is the number three at the State Department), you find a foreign policy team that has bought into the intellectual argument that America's best days are behind us. It comes right out of Paul Kennedy's book, *The Rise and Fall of the Great Powers*, which argues that America isn't the strong and respected nation that it once was, especially in the 1950s and 1960s and that we are on a declining curve. Those of us that come from a different intellectual viewpoint call those people the declinists. I actually believe that is the philosophical and intellectual underpinning of this administration. If I am correct, then you will continue to see a president and an administration that will be indecisive, that will not be terribly determined to take on some of the very tough issues. You cannot, in foreign policy, lead by consensus. You have to lead by asserting your viewpoint and by hoping that others will follow. Eventually they will.

Look at the situation in North Korea. President Clinton has, in fact, moved in the right direction in trying to get the National Security Council of the United Nations to go along with the sanctions against North Korea. I think that you would even have to take it a step further, and say to the North Koreans: "If you are going to transfer the technology that other nations could use to deploy a nuclear weapon, we simply will deny you that opportunity if we learn about it." North Korea has got to be quarantined. We have to understand that totalitarian leaders sometimes do what they say they are going to do. Go back and re-read about the Second World War. Hitler said a lot of outrageous things, but he did them. These people, these despots, sometimes do what they say they are going to do. Saddam Hussein is another. He kept telling us that he was going to take Kuwait. Mubarek didn't believe him, King Saud didn't believe him, the leaders in the Middle East convinced us that it wasn't going to happen, but he did what he said he was going to do. And Kim El Sung is no exception. He's 81 or 82 years old; we don't know what the succession of power is going to be. He will probably try to transfer it to his son, but that is going to be very difficult with the present military and political situation in North Korea. So we have to be very much on edge.

I think that we're coming in that direction. And China is obviously going to be helpful. She has to be. Japan is important in this equation, and yet our relations with both of those countries have been less than admirable. Manufacturing a trade crisis with Japan and walking out of press conferences is not the way to conduct diplomacy. You just don't do it that way. It may be what the pollsters say to do, because it plays to American Puritan interests that we don't like Japanese imports and that we would rather be exporting to Japan. That's fine. But you don't do it in front of the world with the Prime Minister there. That's just simply immature, and not a way to conduct foreign policy and serious business.

With Russia, I think that Clinton's instincts are a little better than some of the advice that he has received. He responded favourably toward Yeltsin when Yeltsin's was in trouble, recognizing that Yeltsin was the duly democratic leader of Russia. But, I can assure you that the future leaders of Russia are looking to Bosnia and the resolution of the Bosnian issue very keenly, and they can see the indecisiveness there. You either decide that you are going to do something or you are not going to do something. If you want a policy of containment, then announce it as a policy of containment. But one day, it's a policy of containment, the next day, it's a policy of air strikes, then it's not air strikes, then it's the United Nations imposing certain targets, then it's not imposing certain targets. If you are going to get into this like we are now, then you have to resolve it. You can make the argument about whether you should have got into it in the first place and had more of a policy of containment, lifting the arms embargo to the Bosnian Muslims and levelling the playing field. That would have been far more preferable, in my judgment, to our current policy.

But Russia, mind you, is watching this very, very closely. The leader after Yeltsin, though I do not know whom he will be, will be less democratic and more authoritarian, and will have a vision of a greater Russia rather than a Russia the way it is today. Boris Yeltsin is actually a reformer, and someone who believes in democracy and democratic values to some extent. Recognise also that having a democratically elected president is a real exception in Russian history. This is not the normal Russia. Now we are very hopeful. We ought to be very much of a partner now in seeing that Russia does not turn back to the way that it has been in the past. But, if it does, are we prepared to deal with it? Russia has always been a competitor. Yes, they can be a friend, and yes, we can have good relations with them but they are a competitor. They are a competitor of ours, they have been a competitor of Europe and that is history. That is not going to change. They are always going to be competitors. Having indecisiveness in an administration that leads in foreign policy by consensus rather than statesmanship sends some very mixed messages to future leaders of Russia.

So you have this uncertainty. And yet, in our own hemisphere with respect to Haiti, we have a foreign policy to Haiti that is dictated by domestic policy. There is absolutely no reason at all why we would seriously contemplate invading Haiti to reinstate Aristide, as President of Haiti. There are absolutely no national security interests to compel us to put our troops at risk to reinstate someone who, though elected through the democratic process, does not subscribe to democratic values. We have to recognize that sometimes people can come through the democratic system, get elected to a position of power, and yet not believe in democracy. That is a fact, and that is the case with Aristide. I've met him a couple of times, and I know him reasonably well. He doesn't believe in democratic values. We had a long discussion about it. It is lip service. He is the one, I remind you, that endorsed and embraced the torture of necklacing, where they put a tyre around someone's neck with gasoline and set it on fire. The person ends up dying as a means to intimidate his democratically elected Parliament.

Yet we are thinking about invading Haiti to return him to power. It is foreign policy by hunger strike. President Clinton is responding to Randall Robinson to whom he said, "Oh, he [Aristide] should stay out there because we need to change our policy." That is a direct quote from the President. He has got a very interesting coalition of people that support an invasion of Haiti, and it comes from, almost without exception, the same people that criticized us for going into Panama and apprehending Noriega. Not one of them that I know of voted for the resolution that was before Congress for Operation Desert Storm. And that was clearly in our national interests. This isn't. It is a domestic policy item that is driving foreign policy. That's just not the way you do it. Now I hope that they don't pull the trigger on this, because I don't think that would be in our interest, but they are clearly on the road to invade Haiti. It's not going to be easy. The last time we invaded Haiti, we were there for 15 years. But it's simply not in our interests. There are other items around the world that are far more important than Haiti. We should, in my judgment, go in the other direction.

Here's our policy in Haiti today. Our policy is sanctions, blockades, starving the poor, starving the middle class, starving everyone except the military. Ask yourself this question: during the blockades, who's got stronger and who's got weaker? The military has got stronger. They are stronger today than they were six months ago. We have, in fact, done the following by having more sanctions and the blockade. We have increased poverty, increased unemployment, and increased starvation. We ought to be talking about lifting the sanctions and moving toward a political settlement to get the Haitian people back to work, to develop a middle class, and to let them reclaim their government. That's what we should be doing, and it's almost the opposite of what we are doing today. I submit to you that it is largely driven by a domestic policy agenda.

Where the Republican Party will go in the future is of great debate today, obviously. The Republicans are going through the normal out-of-party syndrome, as it were. They have a lot of speakers. We were accustomed to having the President and the Vice-President there. We had that for 12 years. Today we don't have that. Unfortunately, the political cycle is this: the out-party only gets news when you are negative and criticizing, and therefore, when you put forth a positive agenda, it's not necessarily news because you are not in power. That is the way the system works. The Republicans will have to come to grips, and I think that we will, on what our issues will be. I am convinced that our issues will be less taxation, less government, radical reform in welfare, choice in education, health-care reform as access to health insurance and not as mandated, socialized government intervention, family values, an anti-crime approach and a return to a respected and credited foreign policy. Nineteen eighty-four, I am convinced, will be a good year for Republicans. There is no doubt in my mind that we will pick up a significant number of seats in Congress. It will be hard for us to get a majority in the Senate, but we will pick up a number of seats to come close to a majority. The real issue, I think, is going to be in the House this year. I look for much larger gains than expected. The conventional wisdom indicates an increase of about 15 members will be the increase. I think that it will be much larger than that. The Republicans last ran the House of Representatives in 1954. I think that everybody, or most people in America, believe that one-party rule and one-party dictatorship is not necessarily that good for you. That would be a great bumper sticker. I'm sure that Newt Gingrich and the folks in the Republican leadership will be quite creative in communicating this message. The American people will vote for congressmen more on the individual than on the party, so that this time we might be able to make the party and the White House more accountable.

I'm convinced that our relationship with Canada will continue to be very good. We don't have any outstanding matters, other than a few trade matters and tariff matters and things like that. But we'll resolve those through amiable conversations. We'll work this all out. Our real friction is in sports. And I just want to conclude that, when you get that basketball team, don't forget about my great Indiana Pacers.

Thank you.

The appreciation of the meeting was expressed by Sonja Bata, Director, Bata Limited.

September 12, 1994

Joint meeting of The Empire
Club of Canada and The
Canadian Club of Toronto

June Rowlands, Mayor of Toronto
Gerry Meinzer, Mayoral Candidate
Barbara Hall, Mayoral Candidate

MAYORAL DEBATE

Chairman: **John Tory**, 3rd Vice-President of
The Empire Club of Canada

Introduction by Matt Maychak,
Host of Metro Morning, CBC

June Rowlands is the Mayor of Toronto. She has been described by supporters as one of the hardest-working politicians around and by critics as invisible. A former research director of the Liberal Party of Ontario, she was elected an alderman in 1976. She has sat on the TTC, as a commissioner that is, and is a former chair of the Metro Police Commission. She was elected Mayor, in fact the first woman mayor of Toronto, in 1991 after promising, among other things, to make business feel welcome in Toronto. When she announced her bid for re-election she listed among her achievements—keeping a lid on tax increases, whittling away the debt and cutting city expenditures.

Gerry Meinzer is a newcomer to civic politics and that has prompted some to say he is trying to pull a Ross Perot. It's prompted others to call him a political unknown but he is no stranger to the Board of Trade. He was named President of the Toronto Board in 1992. Within 10 years of arriving in this country at age 22 with $20 in his pocket, he had booked his way to the top of the management ladder at IBM. He then built his own company serving the computer needs of the insurance industry. He says he wants to build a fixed link to the island airport and work to introduce commuter jets to that airport. He wants to cut city spending by contracting out some services and cut business taxes by 10 per cent.

Barbara Hall has been described in the press as an ex-radical. She is certainly an ex-NDPer and she is running in this election as an independent. Some talk of her passion for the city. Critics complain that's not reflected in her public performance which is sometimes labelled bland. She has been a city councillor since 1985 when she took over David Reble's seat in ward 7, the cradle of Toronto's urban reform movement, and before that she worked as a youth worker, probation officer and a lawyer. Among the things she has supported on council are the city's bid for the '96 Olympics and the Bay-Adelaide Centre. Here's one of her quotes: Red tape must give way to black ink.

The candidates drew their names out of a little plastic container before we came out here and they will speak in that order. We will hear first from the Mayor, then from Gerry Meinzer and then from Barbara Hall. So I ask the Mayor now to make an opening statement. We've asked all the candidates to keep their opening statements to seven minutes or fewer.

June Rowlands

Mr. Moderator, my colleagues in this event this afternoon, ladies and gentlemen, I thank The Canadian Club, The Empire Club and the Board of Trade for sponsoring this event today. I hope that this signals a change of attitude on the part of the Board of Trade toward the City of Toronto.

Market value assessment was the great battle of the second year of my term. Under the proposals for MVA citizens owning small businesses in Toronto would have paid approximately $47 million extra in taxes, escalating to $180 million as that plan matured. Obviously, many would have been forced out of this city. I fought MVA tooth and nail and during that MVA fight at Metro Council we were up against the Board of Trade. This letter I have here, signed by your former president Gerry Meinzer and the general manager Gerry Coles, is a clear endorsement for MVA. It advocates a 25 per cent increase in commercial and industrial taxes, as long as that increase occurs over five years.

I think Gerry has had a change of mind over these past two years. But the MVA debate convinced the citizens of this city that Metro Toronto no longer works, and the City Council agreed to place this question on the ballot: Are you in favour of eliminating the metro level of government?

This great city, the old central city of the metropolitan group of cities, the commercial, the financial, the cultural, medical and sports centre of this country cannot be ruled by politicians that are elected to represent the interests of suburban communities. We cannot allow ourselves to be governed by an unaccountable super-bureaucracy that is loyal to suburban interests.

Mr. Meinzer doesn't agree with that. Well, that will certainly be a great comfort to Metropolitan Council, but very cold comfort to the City of Toronto. The whole method of assessing properties obviously has to be studied. The present method simply doesn't work. We've got to find something that will not push businesses and people out of this city.

The hallmarks of my first term as your mayor have been promotional and new business development and economic growth, reordering and streamlining the city's bureaucracy to bring budgets into line with the economic reality, reducing the tax burden on Torontonians to match that reality, and strong and responsible administration. The largest part of my job has been to construct the base for renewed economic growth and prosperity, while maintaining our services and our facilities and preserving that humane, livable urban environment of which we are all so proud.

It wasn't easy at all. For almost two years of this term, I took on the responsibilities of Budget Chief and succeeded in keeping tax increases at zero for 1993 and achieved a small decrease of 0.5 per cent for 1994. This was accomplished despite an assessment base that had dropped by more than $104 million, a decrease in general revenue and an increase in debt charges, because debt charges passed capital spending and a substantial decrease in provincial transfer payments. All of that totalled approximately $41 million.

But after seven years as Budget Chief of this city, both during the recession of the early eighties and during the present unexpected recession, I understand that our ability to maintain those high levels of services, most particularly our social and public health services, rests squarely on the revenue which flows from our commercial and industrial tax base. And that is why I moved, both as Mayor and as Budget Chief, to streamline City Hall to cut waste and duplication. Over two years, beginning this year, $72 million will be cut from that $580 million budget. That is a 12 per cent decrease, which is a huge cut. Approximately 1,000 positions have been eliminated from the city establishment, and this was accomplished without layoffs.

I'm very proud of what we did. I worked hard with business to reduce red tape. Incidentally, 70 per cent of all building permits that come before us at the city are processed within two weeks. There is absolutely no city the size of Toronto that can equal that record. And over the past 12 months, as some of you are aware, over one billion square feet of downtown office space have been leased. The vacancy rate has been dropping quite rapidly—three to four per cent in the last year. Sixty-five thousand more jobs have been created, and two-thirds of those jobs are held by people that live in Toronto. By any objective measure at all, we have succeeded in meeting the challenges, and have erected a solid foundation for renewed prosperity.

One of my first acts as Mayor was to create our business development initiative, the BDI, to promote Toronto. This was a real marketing effort to present Toronto as the place to which to relocate, and the place in which to do business and also an effort to keep the business that we already have. Over the two years it's been operating, the BDI has compiled a database of more than 5,200 companies, of which 1,400 are now Toronto's top employers. The BDI has assisted 11 companies in relocating in this city. At the present time, it is working with an additional 25 that have expressed strong interest in locating their entire operation or part of their operation here. What are our great selling points? Of course our safe and clean streets, our vibrant and distinctive residential neighbourhoods.

Although overall crime rates are decreasing somewhat because of the aging population, unfortunately there is a growth in violent crime, drug-related crime and crime among youth. Denying it is not going to fix it. The increase between 1992 and 1993 was four per cent. I've been given the signal here. I'd just like to say that I have brought forward strong recommendations with respect to gun control. We've been in conversation with the federal government. Some of the recommendations may be enacted. We simply cannot allow violent criminals on our streets. We've got to begin to tackle that problem because it is a very serious one.

And I would just like to say that while we streamline and cut taxes, we know that many Torontonians need our help. That costs money. We are a caring community. Our quality of life of course depends on providing that helping hand to those that need it. And maintaining our quality of life depends on preserving safety and the prosperity of downtown Toronto. That was why it was so very important to defeat market value assessment. Thank you very much.

Gerry Meinzer

What a terrific incentive! Thank you to the organisers of this event. I think this serves the tremendous purpose of debating the issues.

Since announcing my candidacy, I've been right across the city talking to people. I've been meeting with people from all walks of life. They told me their hopes for a new Toronto. But in telling, they reveal an anxiety about our city. I think we have squandered opportunity. They wondered what has happened to Toronto over the past few years. They wonder if we have lost our sense of self. Have we lost our will to fight back? Have we become so tangled in the negative that we have lost the will to win?

To people of Toronto looking to restore the pride we once had in our great city, I want to restore that pride, but first we have to get the numbers right. We have to know where we stand and then we start selling the benefits of Toronto.

There was once a time when businesses flocked to this city. There was once a time when jobs were created in the thousands. There was once a time when Toronto had the confidence to dream big dreams. We have to regain that confidence. It will come back when we have a shared vision of a new and different Toronto. The next time we go after a world's fair or an Olympic bid the world will say, "Yes." Our reputation will be such that the world won't be able to say, "No."

How do we restore that reputation? Well, let's start with a vision. That vision must be from neither left nor right. It must be a vision with key pillars, around which we build the Toronto for tomorrow. Here are three pillars that I will build that Toronto around: lower taxes, creating a safer city for the people of Toronto, getting City Hall working for (not against) its citizens.

Let me offer you some details of that vision. I am committed to lower taxes for home owners and businesses by three per cent the first year, five per cent the second and seven per cent in the third year. This 3-5-7 programme of tax relief will signal the start of Toronto's economic renewal. I won't stop there. With the city leading the way, as I've demonstrated before, Metro and boards of education will not be able to run and hide. They too will have to respond to the public's desire to do more with less. I will cut taxes by further contracting out some services. Needless to say, the unions who do the work now will be eligible bidders. I will cut taxes by eliminating duplication between the city and Metro, not just divert attention through a ballot.

I will also cut taxes by attracting new businesses. Toronto needs more tax payers, not more taxes. These new businesses will come to Toronto if they find a receptive environment. They can't count on that environment now. When everybody else out there rolls out the red carpet to attract business, we roll out the red tape. We will continue to lose jobs until we come to grips with all this. New business will come to Toronto if they have a valuable resource like an improved island airport. And they will come to Toronto if strong marketing lets them know we're here. On taking office, I will immediately appoint a Toronto infrastructure promotion team. (I recommended this to the Mayor before but nothing happened.) We'll seek out high productivity, new economy and jobs.

New jobs and a revitalised economy lead directly to the second pillar of my vision for Toronto. A safe city builds on enterprise and opportunity. The most compassionate government programme doesn't stop at giving people help. It starts with giving them hope. A safe city is composed of people who respect themselves and the whole community. As Toronto's representative, I will press for more resources to bring police in closer to the community. Where community policing is set up, it lowers crime. A safer city builds on practical, sustainable and workable environmental standards.

Finally, I want to get City Hall working again. Let me just tell you a story of one voter I spoke with. He wanted a tree planted on his lawn. He asked at City Hall and waited for months for an answer. The answer came and that answer sent him to Metro Hall. He waited for the whole month to discover he couldn't be included in this year's plantation programme. (We have more horror stories like this.) We have to break up the cosy little group that runs City Hall like a private club. Isn't it time to break the mold that has city officials more worried about their turf than their task? Their task is straightforward enough: to serve the public.

That's no different from real life. Each of us succeeds or fails based on how people see us meeting their needs. Right now, Toronto's need for new and different leadership isn't being met. To say government is somehow different from real life is a confession of failure. It is a cop-out. It's an admission one hasn't the imagination or courage to offer and to deliver new and different leadership. Real life means managing resources prudently. It is how we do business in our homes. Real life means respecting ourselves and the people around us. It's how we build a safe and civil community. Real life means caring about your work. It's how we succeed in meeting people's needs.

City Hall needs to get real and it needs to get a life. City Hall has to get real in cutting taxes. It has to get real in providing the leadership for a safe city. And it has to get real and be in the community, not stand apart from it. Toronto needs a new and different leadership. Ladies and gentlemen, I want your help in getting that leadership to work. Thank you.

Barbara Hall

Good evening. Thank you to the organisers. It is about time the campaign really got going and I guess this is officially it, in some respects.

The job of mayor is to provide leadership and to ensure that the necessities of city life are looked after. I think that our city is drifting without leadership and I want to take charge and make things happen again.

For those who don't know me well, I have been on City Council representing a downtown ward for nine years. I've been on the Executive Committee for seven. I've been Budget Chief on the Economic Development Committee and I chaired the Land-Use Committee. Before I was elected I was a lawyer, a probation officer, a dressmaker, a waitress and a youth worker. I believe that all my experience, both inside and outside City Hall, prepare me for the challenges before us—the challenges of creating economic vitality, of managing City Hall and of building a safe and a healthy city.

First I'm going to talk about economic vitality and how to create it. First of all, business does need lower taxes. I worked hard with members of Council, with small business people and with residents to kill MVA. As mayor I will lead the charge for fairer taxes. The City of Toronto, its businesses and its residents need a level playing field with the rest of the region.

Since the last municipal election, Toronto has lost close to 100,000 jobs. We have to stop watching from the sidelines and get into the global business game. The Design Exchange, which opens next week, is a perfect example of how to do that and I am proud to have played a role in setting it up. It's no accident that the Design Exchange is at King and Bay, in the heart of the financial district. It's good business and it's big business. The Design Exchange will enable homegrown technology and innovative consumer goods of all kinds to compete in world markets. We need to make sure that there are more design exchanges.

In order to create economic vitality, we have to do a better job of managing City Hall and making things happen more quickly. Over the past three years as Chair of Land-Use I've been able to expedite many projects through our process. Not all of them, unfortunately, were built, but during the past few months, the expansion of the Convention Centre and the conversion of vacant commercial buildings happened very quickly. I was able to show that it doesn't need to take years to get through City Hall.

Did you know that if you were to open a small business in this city tomorrow, the city would not pick up your garbage, even though your neighbour's garbage is picked up and your neighbour pays the same taxes? That's not fair. Public Works decided that on its own. Next week at Council I hope to reverse that unfairness. As mayor I will ensure that garbage pickup, indeed all city services, are delivered in a manner that is fair and equitable for everyone within the city.

It is curious that the city can't afford to pick up garbage but it can afford to spend $100,000 or more on a useless referendum. As mayor, I will take the lead to stop the municipal warfare that is happening out there. I will meet with the GTA mayors. I will work with the Board of Trade. I will push joint economic development, because the only way any of us will prosper in this region is by learning to work together, not to fight each other.

There's more to leadership than managing City Hall and creating economic vitality. I want a city that's not only good to work in, but is also good to live in. Four summers ago, after a series of sexual assaults in my ward, I met with a group of women in the neighbourhood and together we decided to take action ourselves. We set up the Safe City Committee. We didn't just lobby other levels of government or use scare tactics. We went out. We improved lighting in underground garages. We improved it on the streets. We got the planning department to factor safety into building plans for parks. We worked with small business and with the police to make our streets safer.

As mayor, I will continue to be on the streets throughout this city, working with men and women from all parts of the city, from all walks of life, to find real practical solutions to the challenges we face.

You may hear throughout this campaign that I represent just one particular political party. That's not true. I have supporters from all political parties and from people who belong to no party. What we all have in common is a view of the city. They believe, as I do, that to make things happen again in Toronto, we've got to create economic vitality, we've got to manage City Hall and we've got to build a safe and a healthy city. And that's why I'm running for mayor. Thank you.

Matt Maychak

Thank you all. In a moment we'll turn it over to all of you. We have microphones at either end of the room. First of all, we'll start with a business question. Suppose that I am a business person planning to leave the City of Toronto because of high taxes or red tape. Could you each tell me how you would change things in order to change my mind?

June Rowlands

There's no question at all that taxes have been a very large problem. I would like to say, though, that in the last year and a half, no major business has left the City of Toronto for anywhere outside the City of Toronto. There has been a real turnaround partly because we did hold taxes two years ago and reduced taxes 0.5 per cent this year. However I must remind you that the City of Toronto only spends between 18 and 19 cents of every dollar that you pay. The big tax collectors, of course, are Education and Metro. Metro receives 26 or 27 cents of each tax dollar. So even if we were to reduce taxes almost to nothing here they would still be high because of the school board situation.

We have held conversations with the provincial government and the federal people as well on the unfairness of education taxes. Mississauga, for instance, gets a per-capita grant for education. We in the City of Toronto have what we call a negative grant. In other words, we owe money. We don't get it. We owe it. Scarborough is in the situation that if it wasn't within Metropolitan Toronto, and those taxes were not pooled at the Metro level, Scarborough would qualify for a provincial grant for education. Instead it is our big assessment base here which is raided and used for education purposes without Metro. Last year in the City of Toronto, $319 million that were not needed by the City of Toronto for its own education system were collected in taxes and were distributed to the other members of the Metro Federation. Scarborough received about $160 million of that. That has to be straightened up. That is one of the main problems and it has to be straightened away.

Gerry Meinzer

Taxes need to come down and Toronto, I agree, needs a new deal. We need some friends to help us, but let's start at home. Let's get the taxes down and let's get our own bureaucracy out there to be friendly, so that they attract business not scare them away. That would be the way that I would fix it.

Barbara Hall

Of course we need to keep our taxes at the city as low as possible and we also need to ensure that we are not duplicating services that other levels are providing. But we're going to have to get the province to change how they tax us and, quite frankly, I don't think we are going to do that on our own. We're not going to do it in an adversarial situation. We need to sit down with the other area municipalities within Metro and within the whole GTA. I believe they recognise that if the core of Toronto dies, they suffer as well. People don't come to Vaughan. They come to Toronto. The region realises they need a strong core, so Toronto needs to show leadership in bringing people together, in sitting down, in developing some consensus and then in going to the provincial government and pushing hard, hard, hard for the survival of this city. This requires the reduction of taxes.

Question

Ms. Hall, we heard the Mayor say that she managed to keep the lid on taxes, with a small decrease this year. We heard Mr. Meinzer's promises to cut them by 3, 5 and 7 per cent in each of the next three years. You just talked about fair taxes and petitioning the province. Can you give us a translation of fair taxes? Would you cut taxes, or would you be unable to cut taxes without the approval of the province (which has its own deficit problems)?

Barbara Hall

Well in the past, in all my years on Council, I have supported taxes below the rate of inflation. Over this past year and the year before, I supported a tax freeze. I think when I say "fair taxes" I mean: businesses within the City of Toronto being taxed in an equal way or on a level playing field with those in Vaughan and Richmond Hill. I mean equal grants or no grants. I mean all of us being treated the same way. That's not happening right now.

Question

Mr. Meinzer, given all the complexity surrounding Toronto's taxes, and given that the Toronto share of the property tax is, I think, about one-fifth, how would you manage to cut by 3, 5, and 7 per cent? Are we looking at once-a-year garbage pick-up? What services would have to be cut in order to facilitate such a large tax cut?

Gerry Meinzer

It is my intention to follow the example of other municipalities in privatising garbage. Just next to us, East York has saved almost 20 per cent by contracting out. Hazel McCallion tells me she has avoided tax increases twice already because she got a better deal in contracting out. There's a study by the University of Toronto that reports that the minimum savings by privatising garbage pick-up is 20 per cent. Some save up to 75 per cent. If I only save 20 to 25 per cent, I'm saving $25 million. That's one half of the $50 million I need to save at the end of the three-year term.

That's one step. The other step is by cutting layers of management. I think we have duplication falling over duplication. Nothing's happening here. We still have 225 planners in this city. Somewhere the buck needs to stop. I believe that we need to look at management and that we need to look at a possible consolidation of services that are duplicated between Metro and the City. There isn't a reason in the world why we have to have two Parks Departments, two Roads Departments, and then send this poor guy to two City Halls to plant his tree.

Question

The Mayor was shaking her head. Perhaps she would like to respond.

June Rowlands

This whole question of garbage pick-up is an extremely complex one. It isn't just a simple one of saying it's unfair and we recognize it's unfair, and that a report is going to come forward with four alternatives. None of you are interested in that. The difficulty is this: that the tipping fee is $50 a ton. When we pick up the garbage, we are not charged by Metro for that tipping fee. When it is picked up commercially, the tipping fee is charged and that puts us in a real mess. The problem is that $50 tipping fee. The

City of Toronto doesn't pay it, but if we start all of that commercial pick-up Metro will suffer.

Matt Maychak

Before we move on, let's have Barbara Hall have a say on that.

Barbara Hall

The reality is that it is unfair. It is a question of fairness. It's a question that has an easy answer. What's happening is that small businesses are dumping their garbage in parks. In one case I dealt with, a small business person who had another shop used to put his garbage in the trunk of his car and drive it down to the other shop each night. We've paid for a lawyer and an inspector to prosecute that person, instead of having the truck that's already on the street stop and pick up the bag of garbage. We need to pick up small business garbage and treat small business fairly.

Question

May I ask if you would tender it out?

June Rowlands

We have unions. If we privatise garbage pick-up, the union workers still can't be fired.

Question

Ms. Hall, would you contract it out?

Barbara Hall

I don't believe that contracting out is the answer to our garbage problem. Clearly we have a lot of problems with garbage in this city. I don't believe the problem is due to the workers. I believe that it is a question of management and that we need to put our energy into solving that problem. I agree that contracting out would not be the economic salvation that Gerry has said it would be.

Question

I'm going to take us away from garbage. I'm the editor of a newsletter that serves the Canadian casino industry.

The government of Ontario has designated the Greater Toronto Area as a possible casino site. This Wednesday, Metro Council will vote on whether it will reverse a decision which it made in February: not to create a committee which will talk with the government of Ontario about whether or not Toronto should have a casino. I'd like to place a question to each of you: Do you support having a casino located on the Toronto waterfront, or would you prefer Vaughan or Mississauga or somewhere else?

Barbara Hall

Thank you. I'm not opposed to casinos. I've been off to Atlantic City and thrown the dice and lost my $100. But I support the creation of good jobs and having a safe and healthy community. If a casino can be a part of that, then I would look it. I am concerned about public dollars going into casinos, and I'm also concerned about turning the downtown of this city into a theme park. Some of the descriptions I've heard sounded very much like that. But if there are people out there who want to put in applications for casinos, then I would tell them to do so. I would certainly look at the application and determine whether any application would contribute to employment within the city and a safe and healthy city. Those are my bottom lines.

Gerry Meinzer

Well, I don't have a moral hang-up on casinos either, but I'd like to see the balance sheet. I would like to see figures quite different from those from Montreal casinos. If 96 per cent of all the money in a gambling casino now is already in gambling within the Montreal area, and if only four per cent worth of new economic activity is generated, I'd say, "No." I believe that if Toronto needs to be rescued by a casino then, I think, we're more bankrupt than I thought we were.

June Rowlands

I will be voting at Metro, and I shall be voting "No." My concern is this. I simply don't approve of the idea of a billion six coming in from the United States to install 3,000 slot machines. I don't approve of it because that money all goes back to those investors for at least 10 years, and from then on profits go back to the States. I simply don't agree with it. If this is such a great business, then at least it should be Canadian money that's invested.

But casinos, unfortunately, seem to create some kind of a vortex. They just suck everything into them. The experience in Montreal is not a happy one. Gerry just referred to it. In addition to that, the small restaurants in downtown old Montreal no longer have clientele. I've talked to the mayor of Winnipeg and she said she hadn't got anything out of the casinos at all except a lot of extra policing costs. It isn't the way to go. You've asked about the vote at Metro. May I remind you that the zoning bylaw of the City of Toronto does not allow a use of casinos. And so before any decision is made at all, there will have to be a very major debate at City Council. There's a limited number of dollars for entertainment, for restaurants, for theatres, for gambling, for the horse-racing (which is a good industry here in Southern Ontario). If those limited revenues start getting channelled through casinos, there are a lot of other businesses that are going to suffer. That's my point.

Question

I would like to know how you envisage the delivery of police and welfare services in the absence of a Metro level of government?

June Rowlands

It is a question that comes up all the time. It is not difficult. To begin with, the TTC used to be a separate commission that delivered its services and it is now part of Metro. The TTC Commission would once again be set up with representatives from the various municipalities. It would probably have to take over the central computer services of Metro and perhaps the Don Valley Parkway and the Gardiner. The police would simply be the present Police Commission, except instead of having Metro representatives it would have representatives from each of the municipalities. Parks could be sorted out. The City of Toronto can look after the parks. It doesn't need Metro doing the big parks. Roads are the same way.

This begins to cut out all those levels of jurisdiction which have provided so much discussion. That's all fairly simple to do. Ambulance services should be associated with the fire services anyway and there's a move in that direction now. And the move, of course, is to put the fire services over to Metro. We'd rather see the ambulance services come back to Toronto.

Question

Welfare is an integral part of what the Metro government does. What takes its place?

June Rowlands

The province would do family benefits. There is a move now to shift general welfare assistance over to the provincial government. I don't expect that's going to happen in a hurry. A committee would have to be formed from representatives from the various municipalities to deal with the welfare problem, as well as those services the other facility provides. It would cost much less than what we've got now.

Matt Maychak

Ms. Hall on the subject of Toronto leaving Metro.

Barbara Hall

It isn't going to happen. I happen to think that local government is important and that it is important for people to be close to City Hall and its services. I believe that we should streamline City Hall.

Gerry Meinzer

I guess I'll bring up the issue of market value assessment. I'm accused of supporting MVA. This is the letter that the Mayor referred to. It says in one sentence that the Board of Trade supports market value assessment, but goes on for two pages arguing that the deal won't work. You (Mayor Rowlands) had a chance to fix an outdated system by getting a new system in here and by getting a new deal, and all you did was complain. This system needs to be fixed. You had a chance to do it, and you just complained about it.

June Rowlands

No, I didn't. That's not right, Gerry. We didn't do that.

Matt Maychak

While we are on MVA, let's not leave without letting Ms. Hall have her say.

Barbara Hall

I opposed MVA. I spoke earlier about how I think we need to change taxation.

I don't think that either the City or Metro can afford the several thousand dollars that are being used for this referendum. I voted against the referendum. I would have preferred to see that money being spent on garbage pickup or on the police or on many other things that need to be done out there.

Question

I'd like to change the subject. I'd like each of you to tell us exactly how you see the role of the lesbian and gay community in Toronto. Will you, as mayor, be an advocate for that community as it battles for equal rights at the provincial and federal levels?

June Rowlands

I supported and I continue to support equal benefits for gays and lesbians. As far as adoption is concerned, it's not understood well enough at this point. The issue came up much too quickly. It should have been much better thought through. I feel that City Council made a mistake by not indicating support for at least part of the benefit package.

Gerry Meinzer

I have no objection to gays and lesbians. I want to make sure that there is no discrimination. I will follow the law. At this point I'm not prepared to debate whether there should be adoption or anything else, but this is not a matter that this municipality needs to discuss. Neither am I prepared to talk about the income tax act here. But as far as same sex benefits, no big deal.

Barbara Hall

I believe that this is a question of fairness and equity. I supported the motion at Council. I believe that same sex couples who are co-inhabiting should be able to adopt each other's children. The day that that vote was taken at City Council was a black day for that Council. Toronto which has shown leadership in the past on this issue and many other issues turned its back and voted "No.'

Question

I have a question for Barbara Hall. During the introduction this evening you were quoted as saying: "Red tape must give away to black ink." This is a statement which I wholeheartedly support.

Now let's look at some facts. Between 1988 and 1991 you were the city's NDP Budget Chief. Projects which you and your NDP caucus voted for increased expenditures by $93 million for Toronto alone and placed the city in a debt of $268 million, a debt which did not exist before 1988. How do you propose to pay for these business failures?

Barbara Hall

Well, the City of Toronto was affected by the drop in real estate values. You mentioned that the city went into debt during my tenure as Budget Chief. What you are talking about is the city borrowing or debenturing in order to build capital projects. During that period of time when I first became Budget Chief, the Council had already authorised the building of a community centre in the St. Lawrence neighbourhood. We also built a community centre in North Toronto. In those days, partially because of appeals to the O&B, the North Toronto Community Centre cost $23 million. There are over 20,000 registered users at that centre. I believe that if we're going to have a strong, healthy and safe city, we need to be prepared to build facilities like community centres. The borrowing was done well within our limitations. The cost of servicing our debt is between six and seven per cent. Compare that rate to those incurred by other levels of government. Just last week I read in the Globe and Mail that if a government can get its debt-servicing costs down to 15 per cent of its revenue it is in good shape.

So I stand behind the expenditures that were made while I was Budget Chief. I believe that they were necessary to have a vibrant and a healthy city.

Question

Don't get me wrong. I love a vibrant and healthy city, and I want to give and want to be fair. But still, I'm a simple businessman who was brought up on the principles of income and expenses, and a balanced situation to me is how much can I afford. How can we really balance our budget? From June Rowlands, for example, we hear that the expenses went down, but from what level? The level was extremely high, and then saving only half a per cent. There is room to save 30 per cent.

June Rowlands

There isn't room for that kind of reduction. I went through that in my speech. I won't go through it again. We were able to come in this year at a 0.05 per cent decrease, which may not sound like very much, but it required us to go through every programme—it's never been done in the city before—every single programme. We reduced the Planning Department by more than 30 per cent. We reduced the Management Services Department by more than 30 per cent and the Builders Department by more than 30 per cent. We didn't touch the Public Health Department at all, because their services are extremely important to a healthy city. We didn't touch the library board. (I would've cut some there but nobody would support it.) And this was an extremely careful study. But if you're talking about debt, you're correct. This year, our debt charges are $62 million because of past capital borrowing. We have not debentured anything in the last two years. We're trying to reduce our debt servicing but there is a difference in philosophy on Council. One part of Council really believes in spending money to create jobs. And certainly some spending is required. There is no question about that. But at this point, I think we have to put the emphasis on keeping taxes under control, so that business can come in. The extra taxes that are collected from new businesses will begin to make that tax reduction up and we'll get into a viable situation again.

Gerry Meinzer

Well, I'm a great believer of spending what you earn, to begin with. I've been in business for a long, long time and I know what it's like to meet a payroll on Friday. Borrowing to me is a foreign word.

Question

Gerry wants a fixed link to the island airport. Some American cities have deserted downtowns. Toronto is famous for its livable downtown. Gerry and June how would you answer those who say you don't care?

Gerry Meinzer

I believe that my position on the island airport and a fixed link is concerned with safety, building Toronto's infrastructure and taking it as an asset rather than a liability. It costs the tax payer $2 million or more to maintain that airport right now. I think the only sensible way is to go fixed-link, not use taxpayers' money. I know that the private sector will pay for it, which is sensible in letting this airport live up to its potential. I believe that I can get planes in there. To stop the evolution of an airport on a method of propulsion to me is preposterous. Let's just get on with it. Downtown Harbourfront will not be affected. I live down there. There are jets going in there every day. Nobody says anything about it. I know what it is like down there. I'm right in the flight path.

Matt Maychak

She wasn't asking about the method of propulsion. She was asking about the increased traffic in terms, I think, of people and cars as well as aeroplanes going to the airport through residential neighbourhoods.

Gerry Meinzer

Well, you can take that little shuttle bus down to the Island, walk under the tunnel and get to the island airport. That's my proposal. Less traffic, less congestion, even in the air.

June Rowlands

Whatever form that direct link takes, it is necessary. We have been informed by two levels of government and other agencies that that airport isn't safe, because ambulances and fire trucks, particularly ambulances, can't get there if there is an accident. So something has to be done about that. We either close it down or we do something about a fixed link. The real issue involves some folks that live at Harbourfront, as Gerry does, who have said that they don't want the increased traffic. That's really what this is all about and I don't know the answer to that.

I was one of the architects of the tripartite agreement that is in place now. That cannot be broken unless the City of Toronto agrees to it. So this is something that has to be sorted out. But I can tell you this: the province will no longer pay the million dollars to subsidise the new ferry. The federal government has said they'll no longer subsidise the airport by $1 million. We've also been informed that the fire services there, which cost I think $460 million, are no longer going to be supported. So there is going to be a very big bill that we are going to pay.

At that point matters have got to be thought over carefully. A tunnel to the airport would be extremely expensive. What I had thought of was a special tunnel for ambulances only. It's a situation that's not going to be solved in a hurry. It's got to be thought through very carefully. Frankly, I'd much rather put in a rapid transit route to our big airport. That's really what we need. We need a rapid transit line to the big airport.

Question

Do you support the fixed link?

June Rowlands

Yes, I have always voted in favour of a fixed link.

Barbara Hall

Well, I think that if we think a fixed link is going to solve these issues we are fooling ourselves. To build a fixed link would be to get caught up in environmental assessment for years. The provincial and federal governments would tie that thing up.

I think I agree that the focus for air transit needs to be how we get people quickly to the airport. We need to divert the GO-line to Lester Pearson and get a much larger number of business people downtown and then from downtown out to the airport.

Expanding the airport to the extent that Gerry has suggested would destroy Harbourfront, a favourite place for visitors to Toronto. If we look beyond the traditional ways, we can have the capacity to get business travellers to the big airport and of keeping the Harbourfront area as it is.

Question

Mr. Meinzer, I hope you realise that you are disadvantaged. According to an article in a local paper “For the first time in Toronto’s history, there is not a single right-of-centre councillor on any of the city’s 180 or so committees. And the frightening thing is that the majority of Toronto voters don’t even know that.” Mr. Meinzer, how do you expect to get their co-operation and confidence?

Gerry Meinzer

Well, I’ve demonstrated what can be done if one works with the councillors even if they are towards another side of the spectrum. I managed to get unanimous agreement of every GTA municipality to put an airport authority together for Toronto. I got an affirmative vote. So I know if you can put an agenda in front of them, you can work with these people. I think we can achieve it.

Question

I own a small pilot training and charter company at the airport. I would like to direct my question to Ms. Hall and Ms. Rowlands. How do you see the future of the airport? Do you see the benefits that it can have? If you want my vote, what can you do for us? What will you do for businesses like my own?

Barbara Hall

I think the island airport, as it is, works not badly. I know that there are some people who would like to see it close down. That’s not my position. However, I’m opposed to a fixed link, and I believe that we can service the airport without one. The question is whether existing business can carry the true cost of operating the airport in the way that’s permitted. I know there is an issue about jets at the airport and I don’t believe that the viability of jets at the airport has ever been fully considered. I think any change in plane type would require a full examination of the impact both in terms of noise and in terms of the cost.

June Rowlands

We are talking about the economic viability of the airport and yet the New York run had to be cut out because there weren't sufficient passengers. I myself use that airport to go to Montreal. We know that two and a half million in subsidy is being spent. We also know that the airport has been declared unsafe, so we are going to have put in a fixed link whether anybody likes it or not, or thinks fireboats to be sufficient in a case of disaster (which of course they are not). So there is a whole big problem, about the financial viability of this airport. It certainly will require an environmental assessment and very hard financial analysis. I don't know what that analysis would show.

Gerry Meinzer

I guess the position I take is a very straightforward one. I think we can have our cake and eat it too. I think we can make this airport viable. I think the funds have got to come from the taxpayers' pocket. As Barbara mentioned, it is a perfect example why I am running in this election. If your friends can put housing on the island without ever consulting the municipality, then I think we can make the airport viable.

Barbara Hall

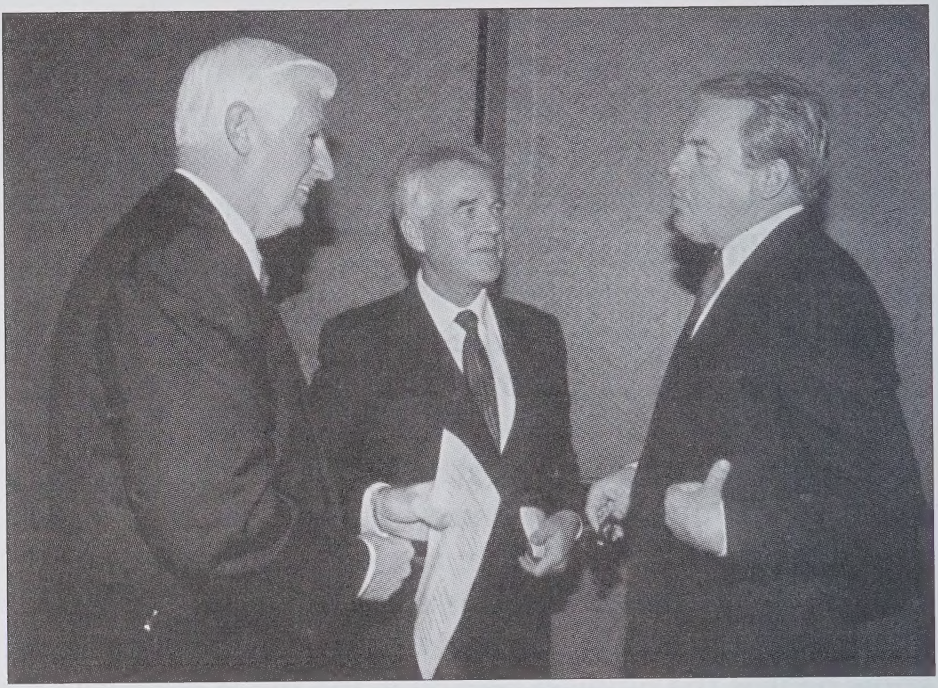
I have friends in many places, Gerry. I have friends at Queen's Park. I have other people at Queen's Park in the government who have not implemented things I want. As a City Councillor and as mayor of this city, I would be interested in what is best for the City of Toronto. I would approach governments of any and all stripes to advocate for the City of Toronto.

Matt Maychak

And on that note I am going to have to wrap things up. I apologize to people who have been so patient at the microphones but it's seven o'clock and if I'm not in front of the television when Peter and Pam come on my contract doesn't get renewed. So a few thank-yous now from Graham Murray of G.P. Murray Research Limited and he's with the Public Affairs Association of Canada and they are a co-sponsor of this event.

Graham Murray

On behalf of the three sponsoring organisations it is my very pleasant task to thank our moderator, to thank our candidates and of course finally to thank you ladies and gentlemen for attending the kick-off of the mayoralty debate in Toronto this evening. I want to begin by thanking Matt Maychak a man I've worked with for a number for a years at Queen's Park. I used to think I was the funniest man at the NDP Caucus Research Department but I know he was the funniest person in the press gallery and I believe you've seen tonight the demonstration of his many great journalist qualities. He moderated this debate very fairly and yet at the same time he was a fine tough interviewer for our candidates and I'm sure they appreciated that. We owe a special vote of thanks to Matt for appearing at an event this time of the day. As you know as a morning person he's normally in bed by now, not watching Pam and Peter later on in the evening. I want as well to thank our three candidates, Mayor Rowlands, Mr. Meinzer and Barbara Hall for attending this debate and for participating as fully and willingly as they did and thank them as well for having indicated that they will be ready to stay around for a few moments after the debate for those of you who didn't have a chance to talk to them. They are all busy and have other things to go on to later but they are willing to stay for a few moments to talk with the members of our audience. Thank you very much indeed.



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PART VI—INTERNATIONALISM AND NATIONALISM

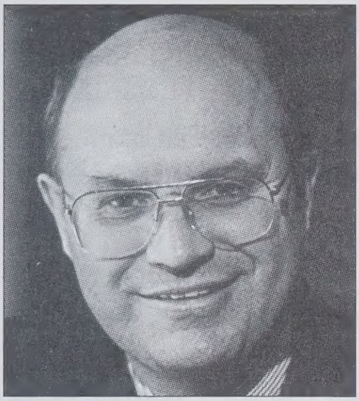
June 18, 1815, was the beginning of our modern world of nation states and international structures. In the aftermath of Napoleon's defeat at Waterloo, the Concert of Europe maintained relative peace for one hundred years. But in this present century, from 1914 forward, there appeared to be a violent and spasmodic response in the name of national destiny to the preceding century of relative calm, optimism and unending horizons.

Nationalism took on new meaning during the 19th century and reached its apogee in approximately 1950. Curiously, world trade ended in 1914 and was not to fully return for 80 years. With the fall of the Berlin Wall, fully integrated international trade became feasible and the recognition of new international forces beyond nationalism and nation states became a reality.

Nationalism may have peaked as a force at the midpoint of this century, but it continues to bedevil the world, including Canada. Internationalism is a feature of the present and likely the only sensible principle of organisation in the future but riding beside the stallion of this international imperative are the dark horsemen of overpopulation, limited land and resources, starvation, faceless technology, ignorance and military mega-madness.

In the face of internationalism, many national communities are powerless and threatened. As a response to the resulting anxiety, communities have looked inward for safety and security. Ethnic communities appear to be the rivals to internationalism. The resulting ethnic stresses in the world have balkanized people into sub-national fortresses. Hence, the negative nationalism of Rwanda, Ireland, the Basque, Quebec and many other communities.

The sketches in this part trace the elements of the rise and fall and rise again of nationalism and internationalism through portraits of the Duke of Wellington (for the Canadian Minister of Defence), passion and illusion in Quebec (for Daniel Johnson and other Canadians interested in unity), Charlemagne's Empire (for the Chancellor of Austria) and the history of oppression (for Albie Sachs).



November 4, 1994

Joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. David Collenette

Minister of National Defence and Veteran Affairs

UPDATING DEFENCE POLICY

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Bergin Kulenovic, grade 13 student, Jarvis Collegiate Institute; BGen. Garry S. Thomson, Deputy Commander, Land Force, Central Area Headquarters; Harold Perry, President, Mandrake Management Consultants; The Rev. Canon Harold F. Roberts, Rector, St. Timothy's Church Agincourt and a Past President, The Empire Club of Canada; Edward Crawford, Chairman, Atlantic Council of Canada and Chairman, Canada Life Assurance Company; MGen. Bruce J. Legge, Q.C., Partner, Legge & Legge, a Past President, The Empire Club of Canada and Chairman, Honorary Colonels of Canada; Dr. Lorna Marsden, President, Wilfrid Laurier University; The Hon. Barnett Danson, P.C., Former Minister of Defence and Honorary Director, The Empire Club of Canada; Father Briant Cullinane, Chancellor in Temperal Affairs, Archdiocese of Toronto; Col. John Marteinson, Senior Vice-President, Atlantic Council of Canada; MGen. Reginald W. Lewis, Past President, The Empire Club of Canada, Chairman, The Empire Club Foundation and Chairman, Toronto Economic Development Corporation; Robert D. Weese, Vice-President, Government and External Relations, GE Canada; and Herbert Phillips Jr., President, The Canadian Club of Toronto.

Introduction by John Campion

Arthur Wellesley's Breeches and Hose

On February 3, 1815, Arthur Wellesley, the son of an impoverished but noble Anglo-Irish family reached Vienna. He made an immediate and grand entrance to the Congress which had been in session since September, 1814.

The purpose of the Congress was to define the world after what was thought to be the end of the Napoleonic wars. Wellesley wore a scarlet field marshall's uniform, a solitary peninsula medal and white breeches and hose.

His entry caused a sensation—he was the only professional general among sovereigns and chancellors. He had not yet met Napoleon Bonaparte in battle but at 45 years old, had beaten all of Napoleon's best marshalls and troops in Spain.

Unknown to him, the Duke of Wellington was on the eve of the battle that together with the peace conference that followed, was to create an international order that lasted for 100 years.

Twenty-five days later, on March 1, 1815, Napoleon escaped from the Island of Elba. He went straight to Paris. He arrived without an army, but soon got one.

As history will tell, on June 18, 1815, at 11:25 a.m., two of the greatest generals of all time met at Waterloo. The battle lasted until midnight. Bonaparte fought his last campaign and Europe was finally at peace.

The peace and the international order that followed, created the longest period without war that Europe ever experienced. The single most important diplomatic principle upon which that peace was created and continued was the balance of power.

Henry Kissinger has described this balance of power as only a physical and moral equilibrium among states that could be overthrown by an effort of magnitude too difficult to mount.

By 1818, France was admitted to the Congress system of equilibrium called the Concert of Europe. Except for a few short-lived events, the Revolution of 1848, the Crimean War in 1854 and the Prussian invasion of France in 1871, the Concert of Europe maintained peace for a century.

But by the end of the first decade of this century, the Concert of Europe had petrified into a bi-polar struggle of two main power groupings. While the players in those power blocks changed, this bi-polar system of competition and aggression was to last until the fall of the Berlin Wall in 1991.

Pascal put the result of bi-polar madness painfully:

"We run heedlessly into the abyss, after putting something in front of us to stop us seeing it."

And so, 80 years ago this year, the war that was to bring Canada of age, and to final independence, was commenced. That war was to be followed by a second, engulfing the world in a mighty clash covering the globe.

Fifty years ago today, the end of World War II was all but secured. Canadians stood in France, Belgium, Italy and Germany. The struggles after that war ended in 1945 continued between two armed empires, that of the United States of America and that of the Soviet Union.

That bi-polar state of danger maintained its deathly grip on the world until the last bricks of the Berlin Wall were removed.

Canadian men and women, with courage and self-sacrifice, helped to secure the world that we now inherit. Most of us born after 1945 have known no battles and are heirs to a world that promises peace, but which has thrust upon us new responsibilities for maintaining it. We remember those courageous, self-sacrificing men and women.

It is important to note that at the dawn of this new age, just when the world seems free of the bi-polar danger that made this century the most violent in history, the world has evolved into a complex and militarily dangerous place.

Overpopulation, rapid Third World development, First World economic dominance, ethnic and religious strife, starvation, arms and nuclear proliferation and many other powerful forces leave Canadians in need of a modern but rational defence policy.

The Minister of Defence has the responsibility to find structures to preserve the safety and order of Canada that so many men and women served and died to create.

David Collenette was a Member of Parliament from 1974 to 1984. He was re-elected in 1993. He has been Minister of State for Multiculturalism, President of the Privy Council and a member of numerous important parliamentary committees.

In the 1980s, Mr. Collenette was assigned by Prime Minister Trudeau to Westminster to explain the Canadian position on the Constitution. He is now the Minister of National Defence and Veteran Affairs. In the private sector, Mr. Collenette has worked in a number of business areas. He is married to Penny and has one son, Christopher. Please welcome The Honourable David Collenette.

David Collenette

Mr. President, John Campion of The Empire Club, the President, Herb Phillips of the Canadian Club, my former parliamentary colleagues, Senator Lorna Marsden and

The Honorable Barney Danson, head table guests, including many from the military, both past and present, ladies and gentlemen, it is a great honour for me to be here today to thank John Campion for his great speech. I think John has shown a remarkable grasp on historical and military matters. In fact, while listening to him, I wondered why you wanted to hear from me at all. I'm probably not the first speaker to have used that particular approach.

This is a month of remembrance in a year of anniversaries. In June we commemorated the fiftieth anniversary of D-Day and I was very honoured to be present with the Prime Minister for those ceremonies both in Britain and in France. In fact, it was particularly touching for me, having been born in London just after the war, to be with the Prime Minister. Her Majesty the Queen and the Prime Minister officiated at the Canadian memorial ceremonies at Canada Gate, just across from Buckingham Palace. For those of you who will visit London, I think that you should do well to see this memorial to the 100,000 Canadians who died in both wars on European soil. And of course we have just celebrated the fiftieth anniversary of the Battle of the Schelde, a major Canadian victory and a turning point in the liberation of Belgium. As John pointed out, this is the eightieth anniversary of the outbreak of the First World War, and we are one week away from November 11, the date that is set aside to remember what we owe to those who sacrificed so much for peace and freedom and enabled us to enjoy such a rich, peaceful existence.

Like most Canadians of my generation, I have been fortunate enough to have lived my life in peace, although, by virtue of my early years in London, I was touched by the war by growing up in its aftermath. (I will talk a little about that later.) In terms of my family's participation in matters military and in the quest for peace, my father served in the Second World War, as did my two grandfathers, and most of my great-uncles served in the First World War.

And so the remembrance that we are celebrating today in this week before November 11 is a portion of the debt we owe to the past. But it is only a portion. Because we also owe it to those who served and sacrificed to respect a hard-won legacy of peace, and to be vigilant about preserving it. These matters have been much on my mind in the year that I have been Minister of National Defence and Minister of Veteran Affairs.

When we won the election last year, I hoped the Prime Minister would ask me to help him form a government and be a member of the government. He called me the night after the election and said, "Look, I am not promising anything, but if I want you to go in the cabinet, what would you like to do?" Of course, having never thought about it before, I said, "Well I would like..." and I mentioned a couple of posts. Defence was not one of them. He said, "Okay, we'll talk in a few days." Then his office called and said, "The Prime Minister wants to see you on Saturday morning." So I went into the Leader of the Opposition's office in Ottawa where he was and we had a good chat for about half an hour or so about what lay ahead. He said, "Look, I want you to be Minister of Defence." I thought about it and I said, "What about the other two options we discussed?" He said, "You don't want to be Minister of Defence because that is a mine field." I said, "Mr. Prime Minister, have you read the Red Book? Defence is not going to be easy." "Well," he said, "you don't seem to be too pleased." I said, "I am honoured, but Defence?" He said, "Well, make up your mind. You don't have any choice." I learned then that power had transformed our Prime Minister into the Prime Minister that we see today: a man who knows his responsibilities, a man who is very dedicated to his duties, but someone who is extremely decisive.

I want to talk seriously about the period that we are living through. The Canadian Forces are being challenged in a way in which they have never been challenged before. To justify how the Armed Forces serves the national interest and how our defence policy must be updated to the new realities of the post-Cold War era, I would first like to look at the three roles of defence policy as concentric circles, because I think it's only by understanding the interlocking of the responsibilities of the military that one understands the full ambit of policy.

First of all, let's look at the domestic role. Within the Forces, the central role has always been to protect Canada in partnership with our allies and in preservation of our sovereignty. It is a huge responsibility. We're custodians to the second largest land mass in the world. We have the longest navigable coastline. We have vast seas beyond our shores over which to watch. We have 71,000 people, men and women, who serve with distinction in the sea, land and air forces. And this is the duty that comes to most people's minds when they think of national defence—serving the national interest. But the Canadian Forces often support other national interests, directly related to our sovereignty. For example, in the past year I have come to appreciate very much the role that the National Defence Department has in helping the Department of Fisheries in fisheries protection. Since 1977, Canada has had jurisdiction over an area extending 200 nautical miles from shore and, more recently, we felt obliged to extend that jurisdiction beyond the 200-mile limit in some limited circumstances. And without enforcement that jurisdiction would be theoretical, would be control on paper only. So the Canadian Forces, working under the lead of the Department of Fisheries and Oceans, have real control. In this role, our armed forces personnel actually become and are designated as fisheries officers. Naval vessels and maritime control aircraft routinely conduct fisheries patrols up our coast and they regularly assist in boardings and inspections of Canadian and foreign fishing vessels.

The Forces are frequently called upon to help counter illegal activities that challenge our sovereignty. By far the most significant is the trafficking in illegal drugs. The release of pollutants either accidental or deliberate in our waters and attempts to circumvent our immigration laws are also other challenges that the modern military has to meet by assisting other agencies of government. Drug smuggling, for example, has come a long way from those years where you had a single boat with an outboard motor and a single-engine Cessna. Today it's characteristically a well-bankrolled highly sophisticated operation, sometimes involving large vessels, multi-engine aircraft and quasi-military tactics. In such cases, military capability is crucial in dealing with the problem. For example, this January, the Canadian Armed Forces assisted in dealing with what has turned out to be the largest cocaine smuggling operation that Canada has ever seen. The smugglers' equipment included a mother ship cruising at about 50 kilometres off shore, an off-load vessel at a Nova Scotia port ready to sail out and transfer one cargo. We had the two ships tracked by Canadian radar in Aurora patrol aircraft and once the transfer had been made, the RCMP boarded the off-load vessel and seized a very large shipment of cocaine. And at another appropriate moment, the RCMP officers boarded a Canadian warship and then went to the mother ship and escorted it back into Halifax. As I said, this turned into the largest cocaine seizure in Canadian history.

Another domestic area that we have to be concerned with in defence is search and rescue. You have heard a lot about it in recent years because of the helicopter controversy (we can talk a little bit about that later). But search and rescue in a country as expansive as Canada is an essential role and defence is the lead government department in that area. But it also works with the provinces and with volunteer agencies from coast to coast. We largely supply the airlift capacity through our helicopters, Auroras, patrol planes, the Buffalo and Hercules aircraft. We see that not a week goes by without some alarm, whether it is in mountains of Alberta and British Columbia or whether it is off our west and east coats. Indeed, this very week you saw that very dramatic rescue in the high Arctic. National Defence was part of that operation.

National Defence and the Canadian military also have a role domestically in giving aid to the civil power. It is something we have to be prepared for, although it is something we don't want to do very often. Twice in the last 20 years, both at Oka and in the aftermath of the War Measures Act, we had to use that power to assist civil authorities.

The second circle of responsibility is continental. Since 1940, when Prime Minister Mackenzie King and President Roosevelt met at Ogdensberg and signed the Ogdensberg Agreement, Canada and the U.S. have had very deep co-operation on defence matters relating to North America. That relationship, of course, expanded throughout the Second World War and during the Cold War. It remains today because the security of our continent continues to be crucial. It continues to be vital to our national interest, notwithstanding the fact that the threats of the last 40 years have diminished. The Soviet Empire may have crumbled, and the immediate threat may be gone, but one can never be sure where a threat to our integrity may arise. So the nature of the requirement to defend North America may have changed, but the rationale for co-operation hasn't. Our sovereign and national security still demand that we monitor and control our continental approaches. And we do co-operate. We won't go into great details, but we have squadrons of F-18s, we've got destroyers, we've got two brigade groups ready, we've got the Canadian Airborne Regiment, and we've got

Canadian personnel involved with the U.S. Airforce on the AWACs plane controlling our continental approaches. So we are very much part of that continental defence.

The third responsibility, the third circle that I mentioned, is our global responsibility. It's the largest circle of responsibility because it encompasses an area where our values, our interests and our international commitments coincide. Canadians were pioneers in peace-keeping. In supervising the elections in 1947 in Korea, we first took part in the UN's peace-keeping missions. We also were part of the monitoring of the cease-fire in India and Pakistan in 1949. And, of course, everyone knows that we gained particular recognition by Lester Pearson's creation of peace-keeping forces that dealt with the Suez crisis in 1956 and 1957. Once this particular force was created, it established a new benchmark for peace-keeping missions, because it maintained peace in the region where conflict had the potential to evolve into a major war.

Increasingly we have been called upon by the UN to increase our participation. They want Canadians because we're good. We've got the training, we've got the equipment, and we've got the track record. When I was in Bosnia about a year ago, in fact I think it was almost a year to the day, or just close to it, I was struck by the remarks of commanders of other UN countries' forces: that Canadians were the best performers in that very difficult theatre. It's because Canada enjoys the trust and confidence of these nations that our missions are often a key to conflict resolution.

The scale of the complexity of the demands on our services haven't changed much since the end of the Cold War. Today we have over 3,000 Canadians serving around the world, from Bosnia and Crotia to mine clearance in Cambodia, and humanitarian assistance in Rwanda. We have about 600 people ready to go in Haiti, and we are in the Golan Heights and a number of other theatres of conflict-performing vital missions.

In fact, peace-keeping isn't just about land forces. Peace-keeping today has also evolved to include air and sea. In terms of the problems in the former republics of Yugoslavia, we have not only the 2,000 ground forces, but we are involved in making Hercules flights from Italy into Sarajevo for the airlift. We have been the mainstay of that operation. We have been, as I said, involved with the AWACs in monitoring the airspace in the no-fly zone over Bosnia. And of course we've had our frigates and our destroyers in the blockade of the Montenegro Coast. I think we still have HMCS Toronto in that theatre, with close to 300 personnel aboard.

So peace-keeping isn't just a policing effort. It's multi-faceted, multi-dimensional. Of course, today we are faced with a different kind of world. Our international relationships are changing. One of the things that we have to decide in the defence review is our commitment to the UN, NORAD, and of course NATO.

NATO itself is changing. When I was there last December for the first meeting, we discussed for the first time the concept of partnership for peace, an idea that came from the U.S. They're to be congratulated for it. It suggests a way to try to accommodate the newly emerging nations of Eastern and Central Europe without upsetting that delicate balance that always has to be present and without upsetting the innate forces of conflict in the region. And so when I went in May to a NATO meeting, we had our regular defence planning meetings, but then we had another session and the Russian Defence Minister spoke to us for 45 minutes without notes and gave a fascinating counter-point to the views that we share. Think of that. Five years ago the Russian Defence Minister would not have been there at NATO with all the NATO ministers talking about security for the region. But that's what is happening today. And that probably demonstrates why NATO still has its value, albeit in a reshaped form. Canada fully supports the PNP exercise. Just this past week our Chief of Defence Staff John de Chastelain and my parliamentary secretary went to witness a military exercise of NATO that used many troops from the former eastern countries, such as Poland, the Czech Republic and others. You would never have thought that would be possible five years ago. And we have developed and will use memorandums of understanding on military matters with some of these countries. People from Poland, the Czech Republic and Slovakia are coming to Canada to be taught English or French to learn training methods. Some of them will be coming to our new peace-keeping training centre that we have established in Cornwallis in Nova Scotia.

But the changing world of security problems and the way we shape our military posture to respond to those problems have to be put in the context of the fiscal realities of today. Last week my colleague Paul Martin was here. He is doing an outstanding job in a very difficult post at a very difficult time. And you should know that every member of our government and our caucus is behind Mr. Martin and his attempt to deal with the financial problems facing this country. As the minister with the largest operating budget within the government, I have to be sensitive to fiscal realities.

In fact there are two views of public finances. A late Senator from the United States once said, “It’s a billion here, it’s a billion there, the first thing you know it adds up to real money.” Perhaps he had a bit of foresight as to where public finances were going in the United States and, of course, by extension in Canada. But one of our excellent Canadian writers has a contrary view of the debt and the deficit. He recently stated: “There’s no example of a nation becoming rich by paying its debt.”

Well, I don’t know if Mr. Desaul is here today, but I can tell you that the Jean Chrétien Liberal government is going to do its best to prove him wrong. Defence spending has been coming down. We've chopped $21 billion off planned defence expenditures between 1989 and now. That includes cuts by those other guys that were there before. They put in place measures to take $14 billion out and some of those measures are still clicking in. At the same time, our Red Book said that we had to reduce defence spending and cancel the H-101 as well as about $3 billion of other spending in the department. I announced those cuts in February of this year. The cuts included about 30 base closings and installation closings across the country. We are in the process of downsizing our total force by about 8,100 military and 8,400 civilian personnel, so we're coming down to a steady state (we hope) of 66,700. The number of civilians should be down from about 35,000 to 25,000 or 27,000 people.

So we are cost cutting, we are trying to live within our means and we're trying to introduce new ways in the management of defence to tackle some old problems. We're trying to introduce innovative management practices that many of you who are in business have had to use in the recession: the use of private sector alternatives, whether it be in food service, search and rescue, aircraft maintenance or anywhere else. We are looking to develop partnership with business to bring our costs down.

To sum up, everything I've seen over the past 12 months, both here and abroad, has convinced me of the continuing relevance of the Canadian Forces. The question, of course, is how we are to shape our policy to meet a very relevant mission. I don't think anyone in this room would disagree with the relevance of the mission of the Canadian Armed Forces.

So we have a process in play to come to a new defence policy and I hope that that will culminate in the white paper being issued sometime before Christmas. If it comes out a little later, a few weeks later, please don't hold me to it, but the Prime Minister was very firm. When he announced the cancellation of the H-101 helicopter as the first act of his government he said, "There will be a new defence policy in place within a year." So within a year, give or take (in this case give a few weeks) we will have that. We are on target. For the first time we have involved Canadians in the making of defence policy. No other government has had a parliamentary committee travel across the country, and around the world to hear views of our allies, see conflicts in Bosnia, see operations in the U.S. and other allied settings and have so many public deliberations, as the Special Joint Committee on Defence that gave its report to the House of Commons and Senate this past Monday. So it is the first time Canadians have had their say in the new defence policy. I've just read it and I can tell you that we certainly will take the findings of that report into serious consideration in the development of our new policy.

There are two other components to the review process. One is what is going on constantly at the Department. There are always forward planning cycles and activities at Defence. Many in the military, civilians as well as uniformed people, have their own ideas of where we should be going. I was interested to read that Richard Gywn said, "The most important person we have to hear from is Collenette because he is the Defence Minister," and that Gwyn has heard the defence policy's all written. It is interesting he would write that and not call me up. I know Richard, he's a good guy. So we called him up before the meeting and said, "I think you should hear from Collenette before you make statements like that, because the defence paper, the white paper, is not written." It's not going to be written by the Department. It's going to be written by the government. I have been holding my own consultations. There are a few people here today that I've met with privately—experts, people interested in defence and foreign policy matters—so I have my own advice. I want to see what my officials recommend and what the Canadian Armed Forces recommend. I've read the report from Canada 21, the Atlantic Council put out a good report, the Defence Committee has reported, but in the final analysis I'm going to have to decide what I think my colleagues will accept. It's a pretty tall order. I can tell you we planted X, to use a military expression. Next week Parliament may be on holiday, but I am going to be working around the clock, because we do have a bit of a deadline in trying to meet the need to have the defence policy stated very very quickly. So it hasn't been decided, but it will be decided pretty soon.

And in that process, we'll have to decide what kind of equipment we are going to need. There are a myriad of views. Some people actually think that you can send soldiers into battle without the right equipment. On the other hand, some will say, "Well, how in God's name can we afford to cut government expenditure everywhere and then go out and buy armed personnel carriers or helicopters? What will the public think?" We have to wrestle with these particular questions, because, as the old expression said: "You have to give people the tools so they can do the job." In preparing for this speech, I went back to one of my favourite authors and politicians of the past, Winston Churchill, and to a little book on his wit. After he had delivered the famous speech that said, "We shall fight on the beaches, we shall fight on the landing grounds, we shall fight in the fields, in the streets and we shall fight forever and we shall never surrender," he covered up the microphone and he said, "and if we can't do that, we will hit them over the head with bottles." Now I don't want that to happen to the Canadian Armed Forces. On the other hand, I have to be very much aware of what Paul Martin said to you last week about the necessity of living within our means and making sure that we do not lose sight of the financial challenge that we have to meet as Canadians. So we have got to get it right and I hope to get it right in the next few weeks.

We can't predict when peace may be threatened or on what scale or how Canadian interest may be affected. Canada needs a defence policy that is affordable, realistic, and effective. And we need a defence policy that will allow us to manoeuvre with flexibility and responsiveness to change.

Someone once said, "Any fool can make a war and that's the reason good men have to arm themselves." But the poet Homer said, "Men grow tired of sleep, love and singing and dancing sooner than they do of war." Is man by nature war-like? I don't know. I'll leave that up to the philosophers. The fact is that these two contradictory quotes are things that we have to grapple with in the formulation of defence policy.

I'm not a militarist; I'm not a passivist; but I'm a realist and I'm an idealist. But what is an idealist? "Idealism," said one writer "increases in direct proportion to one's distance from the problem." But I've seen the results of war. I'm reasonably young, despite the fact that I don't have much hair. I was born in London in 1946 in the West End an area that was badly bombed. I mentioned that my family served in the war. Eight of our family were killed in an air raid. I went to school with kids who had no fathers because their fathers were killed. I suppose that that has brushed me with a bit of realism.

But I came to Canada, a country with great promise, a country that certainly has been wonderful to the Collenette family and wonderful to me in particular. I could never imagine myself as a member of John Major's Cabinet. Certainly, given the kind of system that exists in Britain, and the type of background I came from, I don't think that would be possible. Some would argue that you would not want to be a member of John Major's Cabinet. Politics is tough. We had some tough years in the Trudeau years. Politics has its ups and downs. Right now we're enjoying unprecedented support, but we have some tough decisions to make. I have seen the results of war and I suppose that that has conditioned me a little bit. But Canada has given me a sense of idealism. I appreciate the ethos of Canadians who want to be peace-makers, who want to resolve conflicts. We are not inherently a war-like people.

But the problem that I keep facing is that there are lots of fools around. I only take the goods to the station. As the government gets on the train, it is up to the Prime Minister and the rest of my colleagues. But the question we're going to have to decide is: If there are always fools around, how are we going to deal with those fools in the years ahead?

Ladies and gentlemen, governing is not easy. Living is not easy, but if you're open and honest with people and if you approach your problems forthrightly, I think even those that may disagree with you will accept they have had a fair hearing. In the debate that we have had in the last six to seven months, no matter what side one is on with respect to foreign policy and defence policy for the twenty-first century, no one can say that they haven't had the opportunity to be heard. And that I believe speaks volumes about the kind of leadership our Prime Minister has had instilled in Ottawa. I think he is respected for that across the country. So in the weeks ahead, keep your TV sets and your radio sets on and read the papers because the debate will heat up. But it's a debate that has involved and will continue to involve all Canadians.

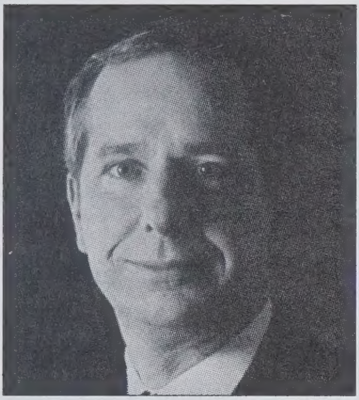
John, thank you once again for this great opportunity to speak to my fellow citizens of Toronto.

The appreciation of the meeting was expressed by Herbert Phillipps Jr., President, The Canadian Club of Toronto.

M.Gen. Reginald W. Lewis, Chairman, The Empire Club Foundation and Chairman, Toronto Economic Development Corporation and BGen. Garry S. Thomson, Deputy Commander, Land Force, Central Area Headquarters.

John Campion, President, The Empire Club of Canada, Robert D. Weese, Vice-President, Government and External Relations, GE Canada and MGen. Bruce J. Legge, Q.C., Past President, The Empire Club of Canada, Honorary Colonels of Canada.

The Hon. David Collenette and Lorna Marsden, President, Wilfrid Laurier University.



January 18, 1995

Joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Daniel Johnson

Leader of the Opposition, Province of Quebec

QUEBEC'S PLACE IN CANADA

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Siva Ratnasingam, Grade 13 student, Western Technical and Commercial School; Andre Lalonde, ACFO; The Rev. Dr. Thomas Eng, Rector, Chinese Presbyterian Church of Toronto; Peter Dunn, Senior Representative, Government of Quebec—Toronto; Wanda Dorosz, President and CEO, Quorum Growth Inc.; Frank Miller, Chairman of the Board, Algoma Central Corporation and former Premier of Ontario; Sandie Rinaldo, Anchor, CTV News; Laurent Beaudoin, Chairman and CEO, Bombardier Inc.; Lyn McLeod, Leader of the Opposition, Province of Ontario; The Hon. William G. Davis, Counsel, Tory Tory DesLauriers & Binnington and former Premier of Ontario; Claudette MacKay-Lassonde, President, Firelight Investments Limited and a Director, The Canadian Club of Toronto; Dr. Annamarie Castrilli, Chair, Governing Council, University of Toronto; Dan Iannuzzi, Publisher, Corriere Canadese; Sonja Bata, Director, Bata Limited; Gerald Schwartz, Chairman, President and CEO, Onex Corporation; Herbert Phillipps Jr., President, The Canadian Club of Toronto; and The Hon. Bob. Rae, Premier of Ontario.

Introduction by John Campion
Quebec's Passion and Illusion

The history of France from 1848 to 1945 was the subject of a book called *Politics and Anger* by Dr. Theodore Zeldin. Le Review Historique de France et Le Monde variously described it as an irreplaceable classic and one of the most important books ever written about French civilization.

Dr. Zeldin, not only described Frenchmen to themselves and to the world but also discovered universal man and woman beneath the surface of the French. France of that 100-year period was a complex country where religious, social, constitutional, economic and regional divisions cut across politics.

Unlike Canada in the same period, these divisions in France made agreement on any issue only partial and any political solutions found only created new problems.

In discovering the essence of universal man and woman and thereby seeking guidance for us in Canada today, Dr. Zeldin described political life as being about passions and illusions. He rejected the usual prescription of describing a country through formal politics and literature. Instead, he found truth only through the individual as they resisted the political, economic, institutional and emotional pressures around them, coped with frailties and fears and found ways to gratify their ambitions and solve their problems.

Let me deal then with passions, illusions and individual Canadians. I am only too aware that in their person, leaders of the "No" forces in Quebec represent the passions of individual Canadians outside and inside Quebec that our great country stay together. The "No" committee must discover and explain the illusions of those who would ask Quebeckers to step into the dark abyss of separation. In doing so, they will not only be speaking to the individual Quebecker about his or her past and future, they will carry with them the dreams and hopes of all individual Canadians as they too resist pressures, cope with frailties and fears, find ways to gratify their ambitions and solve problems of a real kind.

Quebec in Canada is dear to our souls. We Canadians, inside and outside Quebec, have spent a lifetime contemplating, understanding, accommodating and loving this wonderful province with its creative, passionate and lively citizens.

It is apparent that after all has been reviewed, summarized and considered, there is no one true view about Quebec in Canada. As a result, Canada again is about to be tested. The great test comes at a time when the world seems to be in enormous flux, when the marriage chest of Canadian public finance has been depleted of the family silver and when, in the face of the so-called global uniformity, familiar and intimate communities of a smaller size are the desired, if not illusory, retreat and safe haven from a hostile, impersonal and anxious world.

The test, then, is coming again. Because Quebec will always be geographically and directly east of Ontario and west of the Maritimes, because her people will always trade, interact and compete with those living east and west, we will forever have to embrace Quebec.

Accommodation can best be made within a single country, sharing a common history and looking forward to a prosperous and exciting future, and not between two countries rent asunder after hundreds of years of extraordinary success in nation-building.

Canada remains the best safe haven from a hostile world for all her citizens. It remains the glory that the world outside envies. That same world is bewildered at the existence and the timing of this test. But a test we must endure, engage in and win.

Daniel Johnson is an accomplished legal academic, having a degree from the University de Montreal in 1966 and admission to the Bar of Quebec in 1967 and a Masters and Ph.D. in law from the University of London. Finally, he has an MBA from Harvard Business School. He has worked as a lawyer at Power Corporation of Canada, and was an active member of boards of directors and executive committees of community, arts and commercial organisations.

Daniel Johnson joined the Quebec Liberal Party in 1977 and was first elected to the National Assembly in 1981. As you know, Mr. Johnson was a cabinet minister in the Quebec government from 1985 to 1994 and became Leader of the Quebec Liberal Party and Prime Minister of Quebec by January, 1994. He is the Leader of the Official Opposition in Quebec and has, by reason of his authority and position, taken the lead role in persuading Quebeckers that Canada is their best option. Please welcome The Honourable Daniel Johnson.

Daniel Johnson

I'm here to speak to you about the decision Quebeckers will be making this year. Our decision is about Quebec's place in Canada. So we are all interested and concerned. I am here to speak about my hopes for our long-term future together.

In Quebec's recent general election, the PQ won 77 seats to the Liberal Party's 47. In terms of popular support, 14,000 ballots out of 3.9 million separate our two parties. That's a majority of one half of one per cent—a pretty close call. Nevertheless, the PQ was elected to govern. It campaigned on a platform of good government and promised to hold a referendum on Quebec's sovereignty some time this year.

I'm standing here both as a Quebecker and as a Canadian. I am proud to be both and am not about to renounce either status. This complex identity results from a special affection for that corner of North America where Jacques Cartier and Samuel de Champlain began an adventure which evolved into a vibrant society 400 years later. The complex identity also results from a sense of belonging to a shared entity, the Canada established in 1867. I would like to spend a few moments to discuss these two aspects.

This identification with Quebec has grown stronger. The changes and achievements in all areas of human activity which have occurred in the last 30–35 years have fostered a deep sense of pride. And the modern media have caused us to act and react as such proud Quebeckers. The French-speaking majority of Quebec, in becoming, within a generation, "masters in their own house," have developed a renewed and emotionally positive sense of what it means to be a Quebecker.

The destiny of this community, of which I am a part, was never restricted to the St. Lawrence Valley. Early on, it extended to the vast hinterland of this continent. Not unlike the Americans to the south, we wanted to make a new beginning, to reach the vastness and richness of this continent, and to co-operate, compete, or fight with anyone who stood in the way of that dream. Belonging to Canada is how we have chosen to fulfill this destiny.

By 1960, the Canadian duality, the status of the French language, and the role and the influence of Francophones in federal institutions all had deteriorated to a point where French-speaking Quebeckers felt that their sense of belonging was to say the least being seriously tested.

This, combined with an evermore powerful federal government and the lack of Francophone influence in economic matters even within Quebec, created a situation that threatened the very fabric of the country.

Yet through national debate and political action in the 1960s, things did start to change, and they changed dramatically. It was not easy for Quebeckers to challenge the existing order and to bring about real change. But the significant fact is that Canada and its leadership accepted and indeed promoted a new and different Canada. Canadians were convinced that the new political realities called for changes, that Quebec's case had been well defined and that that case dealt both with Quebec's place within Canada and Quebeckers' place in Canadian institutions. The hope then was, I think, that Quebeckers were looking for and would feel a renewed sense of belonging to Canada as the country evolved.

And we Quebeckers have indeed renewed our commitment. The results of the 1980 referendum did show it. For better or for worse, Quebeckers are the only Canadians who as a people have formally reaffirmed their will to be Canadians. And a majority of Quebeckers today do feel, as I do, a sense of belonging to Canada. Things are not perfect—and the constitutional situation is a striking example—but we cannot turn our backs on our long history, and (more importantly) on a country within which we Quebeckers have developed the society of which we are so proud today.

And yet, another referendum will take place this year in Quebec. It could, perhaps, have been avoided if the constitutional episode of 1981 had not been allowed to proceed. And it almost certainly would have been avoided if the Meech Lake Accord had been ratified. I will not try today to expand on what an ideal amending formula for the Constitution of the country should be, but I can assure you of one thing: if we want to preserve our country—and have a country that works—the patriation of 1981 should be the first and last time that the powers of the National Assembly in Quebec are affected by an amendment to the Constitution without its consent. This situation will require our attention as soon as is practical—and in any case before the constitutional evolution of Canada can resume.

What I am saying here today is that there is an important piece of unfinished business, and it will have to be addressed with all the care, time, and importance that it requires from all concerned, without rush and in full awareness of the issues. Indeed, I can't imagine that one could consider a political situation where Quebec remains an unwilling partner to the Constitution, as a normal or viable long-term state of affairs.

Quebeckers who do not wish to separate are truly committed to the vision of the country held by Canada's Founding Fathers at the time of Confederation. That vision recognised the need of Canada's two major linguistic communities to live within institutions which fully reflect that reality. Federalism was seen as a way of uniting societies far too different to blend into a unitary state.

That original vision is just as appropriate in our era of world economic integration. Indeed, that recent trend is exerting a restraining pressure on culture that people seek to counter-balance. Quebeckers need strong institutions of their own to support their sense of identity. The strength and confidence we derive from these institutions enable us to regard world economic integration as an opportunity rather than a threat.

Sovereignists in Quebec carry this argument to the hilt when they assert that a separate country is a necessary condition for Quebeckers to feel secure in the context of globalisation. Quebeckers for the "No," on the other hand, feel sufficiently confident inside the Canadian political and economic union so as not to require a separate country. However, they would not want their rejection of separation to be taken as support for constitutional status quo. It is a statement for Canada, and in favour of the Canadian union. It is also a statement in favour of evolution.

Let me broaden this perspective of change for Canada. I know all parts of Canada have reasons to want change. Canadian federalism must continue to adapt, as it has done in the past. First, globalisation highlights the need for stronger institutions with which citizens can more readily identify. Also, Canada's fiscal crisis is increasing the pressure on governments to deliver services more efficiently. These factors and others ultimately will create a more flexible federal system, in which provincial and federal governments take charge of the policy areas they are best suited to manage. Of course, this may not necessarily correspond exactly to the present-day constitutional division of powers; hence, the likelihood of changes over time.

That being said, it must be clear that decentralisation of responsibilities towards the provinces is not an end in itself. Indeed, care should be taken to evaluate decentralisation proposals in the light of the principle of subsidiarity, under which only those matters that cannot be managed in a fair and efficient manner at a level that keeps decision making the closest possible to the citizen would be conferred to central government.

That is why I do not favour wholesale decentralisation per se. I support decentralisation when the tax-paying public can be better served by their provincial government or when no gain can be obtained from exercising activities at the central government level.

Moreover, if our Canadian economic space is to have any meaning, interprovincial co-ordination, in substitution for federal legislation, must ensure a sufficient level of compatibility between provincial policies.

In approaching change in this fashion, I know Quebeckers are not alone. The Canada I see today is not that monolithic centralist bloc that Premier Parizeau and some other myopic separatists would like Quebeckers to endorse. It's not a question of Us versus Them. Canada is a far more complex country.

So, as you must have noticed, in the referendum, I will bring up the need to consider adjustments, adaptation, evolution and changes. Of course, Quebeckers won't get to vote on any or all types of changes to federalism, but it is imperative that supporters of the "No" get a sense of what follows a "No" vote.

However, right now is not the appropriate moment for constitutional talks, if only because one cannot hope to get a government committed to separation to agree to even the most favourable constitutional reform.

After Quebeckers have rejected separation, we must relearn how to conduct constitutional reform in a less spectacular and more evolutionary manner. The practice of constitutional negotiation must not persist as a high-stakes game which monopolises the public agenda. It must be de-dramatised and must become a more pragmatic process in a federal state like Canada. It will certainly call for less stomping and more statecraft: statesmanship will always carry the day over partisan posturing.

The Quebec Liberal Party intends to make a positive contribution in this area. Last week, in preparation for the next general election, we created a committee whose mandate is to review our platform on the place of Quebec in Canada, on the evolution of Canadian federalism, and on the Constitution, as well as to suggest a new process for reform. After a "No" win in the referendum, without imposing a timetable or presenting an ultimatum, I hope other political organisations in Canada will join us in this endeavour and will see the benefits of examining, discussing and debating issues of change and adaptation.

Let me now share some views on the referendum itself, on the Parti Québécois proposal, and on how I believe Quebeckers should deal with it.

A little over a month ago, Premier Parizeau tabled a draft bill on the sovereignty of Quebec in the National Assembly. At the same time, he explained what he calls—very loosely, I might add—a consultation process to be held over the next two months. Let me say a few words about the pre-referendum process. The Quebec Liberal Party, as well as the Liberal Party of Canada and the Progressive Conservatives in Quebec, have decided not to sit as members on the travelling regional commissions the government has created. The first reason is very simple: their mandate is to draft the declaration of independence that has been left blank in the preamble of the draft bill, and to improve on the sections of the bill.

How could a federalist party help in thus restricting the debate? Doing so would bring legitimacy to the conclusions that had already been drawn. Also, we really question the democratic value of the whole exercise, to the extent that the provisions of the Referendum Act in Quebec do not apply to this pre-referendum process. Our law provides for equal representation and equal resources for the "Yes" and "No" sides throughout the referendum process. In the current pre-referendum process, we were offered one seat out of 15 on every commission.

Furthermore, the PQ announced their intention, carried out since, to home-deliver a copy of the Sovereignty Draft Bill, which is drafted in such a way as to subtly advocate sovereignty and counter federalist arguments. We felt then, and still feel today, that this whole exercise is a propaganda scheme to give the "Yes" side a headstart in the campaign.

So we have decided not to be members of the commissions, but we did not call for a boycott by the "No" supporters. It is now clear that opponents of separation will attend to make their views known or ask pointed questions.

As for the draft bill itself, I mentioned that it was developed more to support separatist arguments than to present factual aspects of Quebec separation.

I have begun and intend to continue making the case in Quebec that the draft bill is a mixture of hypotheses and wishful thinking. It tries to create the impression that matters that are uncertain or cannot be guaranteed following secession will, on the contrary, be easily settled by the PQ government. It describes a situation where Quebec declares divorce and unilaterally remarries the rest of Canada under a new, allegedly "improved," and less restraining arrangement. Membership in NAFTA and NATO are presented as automatic, and the use of the Canadian dollar and Canadian citizenship by Quebeckers could supposedly be maintained under the same conditions.

Jacques Parizeau's argument is that the rest of Canada will have to negotiate in the aftermath of a "Yes" vote. Having said that, he proceeds with the conclusion that Quebec could get everything it likes in the Canadian Federation while chatting over tea in a newly established warm neighbourly dialogue and at the same time get rid of all the nagging inconveniences. By Jove! How simple things can be when you write every part of the script!

I won't go so far as to state that discussions would not take place, since this conveys to Quebeckers that the votes they will cast do not concern Canadians in any way. But Jacques Parizeau's oversimplification should not be left standing there, as if it were true or even remotely realistic.

First of all, after a hypothetical "Yes" vote, who would represent the rest of Canada at the negotiating table? The Prime Minister, the Minister of Finance, and the Minister for External Affairs are all Quebeckers. Is an election called? Do the Liberal Party of Canada and the Progressive Conservatives go through leadership conventions? What about the Senate? What would be its role?

What about the provinces? How do they get involved? Does the rest of Canada keep the same structure? Even assuming phenomenal amounts of goodwill and good faith, which might take some time to recover after a referendum, it would take quite some time for the rest of Canada to settle into a negotiating position. When you stop and think, all this should have a sobering effect on over-optimistic dreamers who believe in the PQ's fairy tale.

In any case, even disregarding the transition costs, I am asking the PQ: What will secession accomplish? What will be its impact on jobs? The most optimistic forecasts by economists who favour sovereignty indicate that the secession impact would be negative, albeit relatively small. That is very small comfort: at 11 to 12 per cent unemployment, why would we embark in a project which, in the best-case scenarios, involves a loss of jobs! What will be the impact of secession on trade, on agricultural quotas, on textile quotas, and so on? So I intend to constantly challenge the PQ to make its case, to prove its points, to demonstrate how everything will change without anything really changing.

Of course, our fight for Quebec and Canada will also involve putting across a positive image of Canada, a strong economic case against separation, a vision of Canada as it evolves to better meet the aspirations and needs of its citizens and of the various parts of the country.

I believe that a renewed commitment to Canada by a majority of Quebeckers will provide both Quebec and Canada with new opportunities and a new sense of confidence, and generate a strong dose of positive thinking. Canada's future after Quebec's rejection of separation will depend on the ability of leaders across the land to seize upon the new spirit to move things into new directions.

But first we have to get over the hurdle of the referendum. And as there is no substitute for the freely expressed will of the people in trying to keep a country such as Canada together, this means that Quebeckers for the "No" vote will campaign hard to win over a large majority of our fellow Quebeckers. The months ahead will not be easy. They may be filled with pitfalls, but there will be opportunities. Quebeckers collectively will be making an important choice. The choice that I will be presenting will be one of responsive and flexible federalism.

The events leading to and including the campaign will require patience, courage and understanding. Quebeckers must be made to feel that their choice represents progress and change. By rejecting separation or the breakup of Canada, Quebeckers would not be sending a signal that all is well. Quebeckers may be the only ones literally expressing their vote on the future of the country, but it is the responsibility of all Canadians to make this vote meaningful. If it is obvious that people want their opinions and their votes to make a difference, it should be equally obvious that a "No" vote should signal the start of a renewed and active partnership between all Canadians.

In the coming months, Quebeckers and all Canadian leaders will need to be lucid, imaginative and strong. I am not here to tell you that everything will be easy. I am here to share with you my enthusiasm for post-referendum Quebec and Canada.

For Canadians outside Quebec, the next few months call for resisting the take-it-or-leave-it rhetoric that so often precedes breakups of all sorts. It implies a willingness to change some aspects of our federation—mainly for our own good, not only to accommodate Quebec.

Quebeckers, by rejecting the option of separation, will continue to put forth, with patience and determination, a vision of Canadian federalism in which we believe. Quebeckers will show strength not by slamming doors, but rather by sitting down with our neighbours and partners, with whom we don't always agree at the outset, but with whom we share a desire to build a lasting and productive partnership in the interest of all our citizens.

The appreciation of the meeting was expressed by Herbert Phillipps Jr., President, The Canadian Club of Toronto.

The Hon. William G. Davis, former Premier of Ontario, Laurent Beaudoin, Chairman and CEO, Bombardier Inc., The Hon. Bob Rae, Premier of Ontario and The Hon. Daniel Johnson, Leader of the Opposition, Quebec.

The Hon. Daniel Johnson, Leader of the Opposition, Quebec, and Sonya Bata, Director, Bata Limited.

Dr. Annamarie Castrilli, Chair, Governing Council, University of Toronto and The Hon. Daniel Johnson, Leader of the Opposition, Quebec.

February 9, 1995

Michel Vennat Q.C.

Chairman, Council for Canadian Unity

THE REFERENDUM: EVERYONE'S BUSINESS

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Bruce Sinclair, Director, The Empire Club of Canada; Alexandria Dosman, grade 13 student, Oakwood Collegiate Institute; The Rev. Charles Plaskett, Minister Emeritus, Timothy Eaton Memorial Church; Mary McLaughlin, Vice-President, Public Affairs, The Mutual Group; Matthew Barrett, Chairman and CEO, Bank of Montreal; The Hon. Francis Fox, Q.C., Partner, Fasken Martineau; Peter G. White, Chairman, UniMedia Inc. and President, Council for Canadian Unity; Denise Cole, Public Policy and Political Consultant, McFoy Cole & Associates and a Director, The Empire Club of Canada; Sgt. Bob Crawford, Head of Aboriginal Peacekeeping Unit, Metropolitan Toronto Police; Marvin Yontef, Senior Partner, Stikeman, Elliott; Richard Gwyn, Columnist, The Toronto Star; J. Urban Joseph, Vice-Chairman, Toronto Dominion Bank; and The Hon. Michael Meighen, Q.C., Counsel, Meighen Demers.

Introduction by John Campion

Intergalactic Message for a Country Divided

In the year 2080 an intergalactic historian sent a message upon his arrival upon a dead planet. He had been sent to inquire into the cause of the remote little nuclear catastrophe which the sensors of his galaxy had recorded. When he arrived, he discovered that people, not property had been destroyed. In his early observations, he discovered and sent his message accordingly that the last 300 years of recorded history on the planet were incomprehensible without some understanding of a curious word—"nation." He read that Walter Bagehot called the history of the nineteenth century—one of nation building; and that Bagehot had observed with characteristic common sense that:

"We know what it is when you ask us but we cannot very quickly explain or define it."

One of the world's great historians, Professor E.J. Hobsbaum, has made several significant points on the history of nations and nationalism in his brilliant essays of the same title published in 1985:

"Firstly, the idea of nation is a relatively new one. Few nations which we recognize today date from before the nineteenth century;

Secondly, most nations consider themselves to be of ancient lineage with a strong national identity and pride, but this illusion can best be summed up by the comments of the French historian Ernest Renan when he said "Getting its history wrong is part of being a nation";

Thirdly, the idea of nation evolved from its beginnings in the French and American Revolutions which equated people with the state. It has changed over time to become variously equated with language, ethnicity, communication, economy, physical space, historical determinism and even raw sentiment;

Fourthly, nationalism changed dramatically from 1870 to 1918 and reached its apogee from 1918 to 1950. The principle of nationality was triumphant at the end of Word War I. This set in train the use of nationality to fuel the great anti-Colonial movements of Africa, Asia and South America. But, alas, the concept of nationalism has a diminished lustre in our modern world beset with a world economic order, instantaneous global communications and other international forces;

Finally, in the late 20th century, nationalism remains a powerful force but one which the professor describes as essentially negative and divisive. These negative forces are essentially ethnic or linguistic. He describes Quebec as intensified linguistic nationalism with mass future shock. Twentieth century nationalism is a defensive reaction to the threat brought on by international population movements and ultra-rapid, fundamental and unprecedented socio-economic transformation."

Whatever the truth or controversy which attaches to the professor's view of nationalism, we in Canada are again engaged in a powerful debate in the jaws of the definition of the idea of nation. Canada's present dilemma arises not from the lack of definition of nation but because the idea of nation and its values is rapidly changing.

In our great national debate, we Canadians must help ourselves including those in Quebec to discover the truths which lie beneath political rhetoric and sloganism. We must expose false prophets and deal with the essentials. We must not dream or hope our way into a sentimental abyss. At the same time, we must not unleash forces of resentment, selfishness and division.

It is to this search for truth and unity that the Council for Canadian Unity owes its existence. It views Canada as a country of enviable prosperity, international stature, an extraordinary quality of life and civility. The Council for Canadian Unity recognizes Canada as the best bulwark against all of our fears and the best garden for continuing economic growth.

Michel Vennat, is the Chairman of the Board of the Council. He is a prominent lawyer in Montreal, a recently retired Chairman and CEO of United Westburn Incorporated and has an enviable background of political public service in Ottawa. He serves on a number of boards of directors.

Michel Vennat was born in Quebec, graduated from College de Jean de Brebuth with a Bachelor of Arts degree, studied law at the University of Montreal and was a Rhodes Scholar.

His role is to promote Canadian unity as the best political and economic alternative for us all. Please welcome Mr. Vennat and show our appreciation for the work of the Council for Canadian Unity.

Michel Vennat

Ladies and gentlemen:

On behalf of the Council for Canadian Unity, I would like to thank you for giving me the opportunity to discuss our country's state of affairs as we approach the Quebec referendum.

Several prominent Quebeckers have appeared in Toronto in recent weeks to express their differing views on the subject. And so I wish to pay tribute to your patience and understanding in subjecting yourself to yet another analysis of the situation. It says a lot about your interest in Canada's future. Although most of you will not be voting on referendum day, the outcome of this exercise concerns you and all other Canadians every bit as much as it concerns those of us who live in Quebec. Your presence here today is an encouraging indication that you are not ready to heed Jacques Parizeau's advice to stay out of this debate, which, in his view, should be restricted to Quebeckers. As you may have noticed, this is an opinion that he expresses regularly, except, of course, when travelling in France to drum up active support or when commissioning polls to drag the rest of Canada into the debate in an attempt to build barriers between Quebeckers and other Canadians.

At present, we are facing two issues that are closely linked. On the one hand, we have a provincial government doing its utmost to break up the Canadian federation. On the other, we have a debt and deficit problem that threatens our well-being as a nation. Despite the remarkable challenges that these two issues represent, it is important that we tackle both of them immediately. Just because we have a referendum coming up does not mean that we should hesitate to solve our deficit problems. Quite the contrary. History has proved that fiscal irresponsibility has been a prime source of political troubles and divisiveness. Dynamic and demonstrable steps to solve the national debt will emphasise for Quebeckers and all Canadians that this country really works.

At the same time, the referendum debate provides all Canadians with the opportunity to demonstrate to Quebeckers how important we think Quebec is to the Canadian federation. Make no mistake. The majority of Quebeckers want to stay in Canada. And when it comes to Quebeckers' primary concerns, constitutional issues are at the very bottom of the ladder. They, like other

Canadians, are mainly pre-occupied by the economy, jobs, and the quality of their lives.

After nearly two decades of separatist slogans, opinion polls indicate that a strong majority of Quebeckers still say today that they feel an attachment to Canada; that they consider Canada a success; that they think it is a good country to live in; and most importantly, that they would not accept a reduced standard of living to pay for such an adventure, not any more than the rest of Canada is willing to pay for such an adventure. In short, after 20 years, Quebeckers still reject independence.

A number of other factors militate against the success of separation as a political goal. Like our population, the idea has aged. Demography is working against it. Young Quebeckers today have changed and, like their counterparts all over Canada, are more concerned with their economic future and quality of life in a global environment than with political squabbles. Whereas the PQ used to be able to boast that the vast majority of young people from 18 to 35 years old supported their option, that is no longer true. Finally, and most importantly, Quebec's society has changed. Over the past 30 years, it has developed a public education system equal to any in Canada. It has become an important source for technological innovation, both within Canada and internationally. It has created a dynamic and expanding business sector, that is trade oriented. Culturally, it has taken on a remarkable vibrancy in many fields. And all of this has taken place within the context of the Canadian federation.

Yet, once again, Quebeckers are facing another referendum on their future within Canada at the insistence of a separatist government that, despite the difficult economic context and the dire need for jobs within the province, relentlessly pursues its goal to achieve independence using every means at its disposal. The strategy of separatists is clever but transparent. On the one hand, they are attempting to make separation appear inevitable in the hope that Quebeckers and other Canadians simply buckle under and resign themselves to the fact that it is eventually going to happen. If the referendum doesn't succeed this time, there will be another and another and another, as regular and as painful as a visit to the dentist, says M. Parizeau. I frankly don't think the Quebec people will stand for that kind of browbeating, or should I say, "drilling."

Another element of their strategy is to attempt to recreate the sense of rejection that Quebeckers felt after the failure of the Meech Lake Accord in 1990. For that was the only time that public polls showed a majority of Quebeckers supporting their option. The only time. Since 1991, support has been declining steadily to the point that it is now where it traditionally has been over the past two decades. In the most detailed public opinion poll ever held in Quebec, published two weeks ago, with more than 10,000 people surveyed, when a direct question was asked on independence the response was an unequivocal 60 per cent "No."

So, a sense of rejection and a confusing question are essential elements to a separatist victory. This, no doubt, explains why the PQ government just commissioned a survey of Canadians outside Quebec to attempt to force a wedge between us and reinforce the notion that other Canadians do not understand Quebec's concerns. Separatists are, no doubt, hoping for clumsy, insensitive statements which are sufficiently insulting to Quebeckers to allow them to brandish them high as a symbol of contempt for French Canada. Premier Parizeau himself, in an interview with the Los Angeles Times, stated that few things could be more helpful to the outcome of his plans than a few Canadians trampling the Quebec flag before a TV camera.

Faced with all this, what do we do?

The first thing that Canadians outside Quebec have to do is to realise that separatists do not speak for all

Quebeckers. We have to avoid the cardinal error of lumping all Quebeckers together as supporters of independence. We have to resist reacting hastily to provocation, such as Mr. Campeau's recent declaration that Quebec would not necessarily assume its part of the Canadian debt if it separated. We have to assure that any gesture we make, any statement we issue, shows a sincere respect for the population of Quebec. Indeed, Canadians should be proud that despite all sorts of provocations in the past few months, their political and business leaders, the Canadian public in general, and the Canadian media as a whole have reacted with such moderation in the face of such tactics. Let's hope this continues.

The second thing to do is to avoid falling into the trap of a debate on the Constitution. We have to state loudly and clearly that in a country such as ours, there is no such thing as the status quo. Canada has evolved and is continuing to evolve. It doesn't take constitutional reforms to move things forward. Some Quebeckers fear that voting against the separatist option will forever cement them into a federal system that many feel needs change. What we have to remember is that all the changes we have seen in Canadian society over the past 20 years, and they have been major, have taken place without constitutional amendments. Despite this, within the separatist movement there is a constitutional obsession based on the absurd belief that nothing changes if the Constitution doesn't. And they are trying desperately to transmit this obsession to the population at large. What they refuse to accept is that Quebeckers are just as fed up with the constitutional question as other Canadians are. They are deliberately trying to create a link between opposition to constitutional change and support for the status quo. This we must not allow. The real issue is a choice between a separate Quebec and a Canada on the move. We must constantly stress that we are in favour of an evolving Canada, and that we want to make Canada work better, not treat it as one of history's failed experiments. We must emphasise that a federation is a highly contemporary form of government with a broad capacity to accommodate itself to the challenge of tomorrow.

Changes to encourage administrative efficiency and good government don't require constitutional amendments. This has been demonstrated in a number of provinces already, and we hope it will be demonstrated again by the federal government when it tables its new budget later on this month.

The recent commercial successes of Team Canada in Asia, Latin America and the Middle East highlight how successful this country can be when it works together. They illustrate Canada's ability to adapt to a new economic order and to assert itself as a major, competitive, commercial force on the international scene. It is important that we communicate these facts to Quebeckers and that we do so directly, using our existing networks. We tend to forget that Canada enjoys real and workable social, business, and cultural links that bring us together as real people, not as governments. I am talking, for example, about chambers of commerce and boards of trade, industrial associations, social and community organisations, cultural and university groups, twin cities, and so on. I am talking of men and women talking to each other as colleagues, friends and relatives. I am talking also of the business community, which is held in high regard by Quebeckers, and which has a special responsibility to express its view in the coming months.

Canadians exist as human beings quite apart from their provincial and federal governments and I think it vital that we show Quebeckers that we share a whole series of common concerns: jobs, health care, quality education, as well as social services that are accessible and affordable. We are all equals and are very much alike. Our similarities are much stronger than our differences. In the messages we send, we have to indicate clearly that the world is changing so rapidly that maintaining the economic and political strengths we have is essential to our ability to succeed in an increasingly global economy. In this era it makes no sense whatever to start carving up a country that is increasingly dependent on trade into smaller, less consequential and, very likely, less competitive units.

We must also focus attention on the real question, which is separation. And we must communicate to Quebeckers the very real difficulties that separation would entail for all Canadians. We all stand to suffer both economically and culturally and the resulting trauma could not help but increase tension between the former partners of Confederation. We cannot leave unchallenged the separatist propaganda that negotiations with Canada, following separation, on such sensitive and explosive subjects as the use of the Canadian dollar, the sharing of the debt, the continued economic association and the continued use of Canadian citizenship and passport, will be anything but extremely difficult, contentious and not at all automatic. On voting day, Quebeckers must make their choice with the full knowledge of the difficulties and uncertainties that separation would entail for all of Canada, including Quebec.

As I mentioned earlier, attachment to Canada runs deep among Quebeckers—so much so that, strangely and paradoxically, we hear more about Canada from the separatists than from any other participants in this debate. And why is that? Simply because Canada is a strong sell for separatist leaders. They need its currency, its citizenship, its treaties and its legislation to reassure their own partisans and hide the financial and economic consequences of their proposal.

Don't get me wrong. A victory for the federal forces in the referendum will not be easy. Nor is it assured.

Although the fundamentals are right, we face a determined and astute adversary. In order to win, we need the same commitment and strong organisation.

So I urge all Canadians to stand up and participate in this referendum. It is very much everyone's business. It's all very well to say that it is not in Quebec's interest to go it alone. But this is also true of Canada. The rest of Canada also needs to maintain its trading patterns with Quebec and the strong industrial and financial partnerships that have developed in the last few decades. And Quebeckers will need you and other Canadians to achieve the ultimate goal. After defeating the referendum, we will all have to adapt this country to our quickly evolving needs.

We must therefore remind our fellow citizens in Quebec and elsewhere in Canada of how much they would stand to lose, in economic and financial terms, if the separatists were to triumph in the referendum. Let's do away with both complacency and arrogance. Let's convince Canadians in good faith that all of us share, to various degrees, a concern over economic, cultural, and social problems. Let's collectively develop a dynamic, progressive, realistic, practical and tolerant vision of the country. Let's base it on the undeniable assertion that our political system has been, and can still be, one of the most advanced and flexible forms of democratic political organisation in the world. And let's base it also on another irrefutable fact: that despite our tremendous but solvable financial problems, we are still citizens of one of the richest and most enviable countries on earth.

Let me quote a very appropriate paragraph from a recent address by my friend Matthew Barrett, whom I am honoured to have at the table with me today. He said, "In a world beset by tensions and rivalries, Canada's achievement stands out as a beacon of moderation and accommodation. We owe it to ourselves, we owe it to succeeding generations—not to mention the world community—to ensure that our federation endures."

In closing, Mr. Chairman, I am confident that once again, the people of Quebec will opt for Canada. I invite all Canadians to reach out to Quebeckers in the next few months to help keep our country united. We can positively influence the outcome of the referendum by communicating our deep attachment to Canada and to Quebec, our sense of a great future together, and our confidence in the wisdom of all Canadians. We, at the Council for Canadian Unity, intend to spare no effort to achieve this goal. I urge you to do the same.

The appreciation of the meeting was expressed by Denise Cole, Public Policy and Political Consultant, McFoy Cole & Associates and a Director, The Empire Club of Canada.

Richard Gwyn, Columnist, Michel Vennat, Q.C., and Marvin Yontef, Partner, Stikeman Elliot.

The. Hon. Francis Fox, Partner, Fasken Martineau and Alexandria Dosman, grade 13 student, Oakwood Collegiate Institute.

Senator Michael Meighen, Q.C., Counsel, Meighen Demers and Willis Blair, Secretary, The Empire Club of Canada.

September 20, 1994

Joint meeting of The Empire Club of Canada and The Fraser Institute

Gordon Gibson

Author

FINDING A BETTER WAY FOR CANADA

Chairman: **Herbert Phillipps Jr.**
President, The Canadian Club of Toronto

Head Table Guests

Michael Walker, Executive Director, The Fraser Institute; John A. Campion, President, The Empire Club of Canada; Bob Peterson, Chairman, President and CEO, Imperial Oil Ltd.; Keith P. Ambachtsheer, Keith P. Ambachtsheer Associates Inc.; Preston Thom, President, Comdisco Canada Ltd.; Stan A. Lissack, Vice-President, Corporate and Government Affairs, Astra Pharma Inc.; Sonja Bata, Director, Bata Limited; David Smith Sr., Vice-President and Director, ScotiaMcLeod Inc.; and R. J. Addington, Chairman, Board of Trustees, The Fraser Institute.

Introduction by Herbert Phillipps Jr.

Distinguished guests, ladies and gentlemen:

We have been too long preoccupied with Quebec and its aspirations to the detriment of the interests of the rest of Canada is the basic message in Mr. Gibson's latest book entitled *Plan B—The Future of the Rest of Canada*. Mr. Gibson's life experiences have more than prepared him adequately to deliver a very clear message on this most emotional topic which is to appeal for rational strategy.

Our guest speaker was born in Vancouver and has spent most of his life in British Columbia where he attended university and achieved a Bachelor of Arts with honours in mathematics and physics. Subsequently he attended Harvard Business School where he obtained a Masters in Business Administration with distinction. Mr. Gibson continued his formal education by performing research work in political science at the London School of Economics.

Gordon Gibson has an astounding political career which began in earnest in 1963 when he served as Assistant to the Minister of Northern Affairs. One of his most rewarding postings was the appointment from 1968 to 1972 as Special Assistant to the Prime Minister of Canada, none other than Pierre Elliot Trudeau. During this period Gordon ran in three federal elections and was elected to the legislature of BC in 1974. He also served as both MLA and Leader of the BC Liberal Party from 1975 to 1979.

Since then he has been most active in both the business and public sectors, including 12 years on the Canada West Council where he co-authored regional representation. Mr. Gibson served on the task force for national unity for two years commencing in 1991. During this period he authored *What if the wheels fell off?—a case for a constituent assembly.*

Ladies and gentlemen, it is with great honour and pleasure that I present to you the man who has asked us to think the unthinkable before it's too late—Mr. Gordon Gibson.

Gordon Gibson

Thank you, Herb, for those very kind words. I want to start out, as did Michael Walker, by thanking the sponsors of this luncheon and this tour and of course The Empire and Canadian Clubs for their generous help as well. I can go a little bit further than Michael can to thank The Fraser Institute as well. I had never had more than a casual association with The Fraser Institute until I was asked to write a book back in late February. We struck a deal to have it written by June 1 because we thought there could be an election in Quebec in June. And so I had a most intense working relationship with The Fraser Institute, that was doing the economic research that fits into the book. I can tell you my admiration for that group and the work they do in this country is just absolutely unbounded, so I will add that additional appreciation.

The title of this presentation is "Finding a Better Way for Canada." This talk in Toronto is the first presentation. Every time I come to this city, I think to myself what a great, powerful, wonderful city this is. It works so well for you. I think to myself, "How can I come to Toronto and ask Torontonians to talk about improving Canada when it's hard to improve from your point of view?" The same thing with Ottawa. Every time I go to Ottawa to visit some of my money I say to myself, "Boy, the system works well for these folks. I wouldn't change it if I was them." So that's the first challenge of thinking the unthinkable—thinking about changing Canada. For a lot of Canadians, things are just fine.

The second challenge a person has in the climate of today is the disposition to regard the Quebec election as the comforting development that M. Parizeau didn't get much of a majority at all. (The popular vote just barely won!) That it was, in effect, a win for the provincial Liberals, because Mr. Johnson has good support now. You can pretty well forget the referendum because it isn't going to pass. That, again, is the general climate across this country (although there was a very good article in The Globe and Mail yesterday by Kenneth McRoberts that challenges that).

And finally, there is the accepted wisdom, which is this. The United Nations says that Canada is the best country in the world to live in, as M. Chrétien keeps telling us, and our economy is finally growing. So that's the context in which we say: "Do we really want to change this thing?"

But there's another side to all this, I would suggest to you. Forty per cent of Quebeckers actually want to answer "Yes" to the hard question: "Should we separate from Canada?" Seventy per cent of Quebeckers clearly want to change the federal system. (Maybe 60 per cent of

Westerners would feel the same way. Sixty per cent, 70 per cent of Maritimers, Atlantic-province people, are very reliant on Canada but very unhappy with their economic circumstances. And 95 per cent of the Natives in this country don't like the system at all. There are problems.) The Quebec election was a bad night. However you slice it, it was a bad night. If you add the Party Action Democratique vote, at six and a half per cent, to M. Parizeau's vote, well over 50 per cent, a separatist government now has control of the budget of billions upon billions of dollars. They have the ability to commission reports by consultants and public servants that allegedly prove that the best thing for Quebec is to go away. They have the first shot at the media in the province of Quebec which is sympathetic to start with. They have the agenda, the timing, the initiative and most important of all, they have what I call the box. M. Parizeau is able to represent to his fellow Quebeckers that they are in a box, that there are only two doors and that one door says "Status quo" and the other door says " Separation." That is the pitch he is going to make to them. I am going to come back to that because we've got to break that box.

But let us not be under any illusion here. We are up against very shrewd and resourceful people. They know why they lost the referendum last time. They intend to run it in a very different way this time. It is going to be provocative, it is going to be tough and it is going to add immensely to the uncertainty in this country.

M. Parizeau knows that he has as a model what happened in Czechoslovakia. Those of you who have the book will find at the beginning a brief allusion to the fact that in the middle of 1990, public opinion surveys in Czechoslovakia, on both sides of the new border of that country, asked people how they saw their country evolving. Only five per cent of Czechs and only eight per cent of Slovaks in June of 1990 wanted independent countries. Two and a half years later, of course, the final papers were signed and there were independent countries. The major reason for that was the election of a strong separatist leader in Slovakia who, of course, marshalled his own troops. But the other thing he did was to systematically stick his finger in the eye of the Czechs day by day, week by week, until finally the Czechs themselves were quite prepared to say "Go" at the same time the Slovaks said, "We want to leave." And very clearly, one of M. Parizeau's tactics, one of M. Bouchard's tactics, is going to be softening us up to make us willing parties to the negotiation.

So what I am trying to say to you is that we do have a situation where we may have to think about the unthinkable. The financial status quo in this country is clearly unacceptable. I don't think I have to explore that at any great length with an audience like this. We cannot continue with $40 billion deficits. We cannot, in my opinion, even continue with a $25 billion deficit, which was the target of the Liberal Red Book. We have to get down to zero, and we have to do it reasonably quickly. And if we don't do it voluntarily, others will require us to do it. The implication of this: the federal government has zero money to spend in making people enjoy federalism and the province of Quebec. And au contraire, if I may say so, they are going to have to be cutting programmes and they are going to have to be doing that during the referendum period. The political status quo may or may not grow. But there are some tensions there.

The sentiment of what I call ROC, the acronym for the rest of Canada. is very clear. The sentiment has hardened tremendously over the past couple of years and the sentiment is no deals for Quebec. That is just the way people feel. Whether it is sensible or not, that's the sentiment. And yet, as I said before, 70 per cent of Quebeckers are very clearly on record: "We want change in the way this country is governed."

So let me, with that background, model just the next year and a quarter, up to the end of 1995. First of all, this perspective: the enemy over this period is uncertainty. The enemy is not Jacques Parizeau, it's not the separatists. These are decent, ordinary Canadians, who have a different point of view. They're part of the problem; they're not the enemy. Ottawa is part of the problem too. It's not the enemy. Uncertainty is the enemy, and again, an audience like this knows that uncertainty leads to the failure to make decisions. To make decisions to invest and to create jobs, for example. Uncertainty creates interest rate premiums that make doing business more difficult. Major purchases are put off. It sucks up the time and energy of our leaders across this country. Whatever we say, it's going to do that until this problem is resolved.

Here is my betting on how things will unfold by the end of 1995. I am going to give you odds on each of five possible outcomes. The first outcome is there will be no referendum held till December 1995. I think this gets at least 20 per cent. The result of this, of course, is uncertainty. There is no referendum held because obviously M. Parizeau is holding off until he thinks his chances are even better.

The second scenario, and the one that the federal government and probably most English Canadians would like to see, is a slam dunk defeat of the referendum. Let's say a defeat of at least the 60–40 that happened to Rene Levesque over a decade ago. I don't give that more than 10 per cent.

The other scenario that would remove at least Quebec's uncertainty is a slam dunk win for separatism, again at least 60–40. The reason that that resolves Quebec's uncertainty is because then, I would suggest, they have a reasonably rapid and smooth departure from Canada. It does not resolve our own uncertainty, for reasons I will come to.

The final two scenarios are a narrow win or a narrow loss for the referendum. Because I don't have a crystal ball any more than any of the rest of you, I don't know how to do better than to say that maybe each one has about 30 per cent likelihood. If there's a narrow loss for the referendum, there will have been a Francophone majority nonetheless. The result of that, I would fear, is the initiation of the Irish question in Canada, if you like. The systematic opposition in the Parliament of Canada by the Bloc Québécois, as the Irish did in the Parliament of Great Britain, and the systematic unrest in the Francophone community in the province of Quebec virtually guaranteeing the re-election of a PQ government, in my opinion, I would therefore entail another referendum after that next election.

I feel that a narrow rejection of the referendum will prolong uncertainty, probably longer than anything else. A narrow acceptance of the referendum doesn't end the problem by any means. English Canada will not be ready to accept the results. We will not have in place any negotiators with a mandate. We will not have any negotiating strategy. Working those things out might require another federal election. It will certainly require a good deal more than a premier's conference. You can see the potential for the confusion there. And yet there's no easy resolution, because at 51 or 52 per cent, there's absolutely no way that M. Parizeau can make a unilateral declaration of independence. You cannot, in a democratic society that is divided against itself 49–51, do anything as important as that. So we will be at an impasse and a very serious one in terms of what I say is our real enemy which is uncertainty.

There are two ways to get at this uncertainty. One is by the polls if over the next few months they are showing a slam dunk loss for the referendum. That's clearly what M. Chrétien hopes and that indeed will solve the problem.

The other way we can get at it (and you will forgive me I hope for saying the C-word) is go back to the constitutional drawing board. There are very few things that people hate to hear more than more talk about the Constitution. But maybe it is what we have to do.

To underline the reason for that, I want to bring you back to what I call M. Parizeau's box. You've got the two doors for the people of Quebec—the status quo and separation. He will systematically frustrate the status quo. He will make no deals with the feds. He will make provocative statements and generate incidents. There will be a feedback of negative emotions from ROC to Quebec, and all of this will widen the separation doorway. He will set up, as I said, commissions and studies, to "prove" this is the best way to go. He will make deals with the people who might be able to frustrate him. The Natives of Northern Quebec will find that they will get an unbelievably good deal from Jacques Parizeau if they will sign on to the project of an independent Quebec. He can make a much better deal with them than Canada can. Canada has to worry about precedence all across the country in terms of self-government and Canada has no resources to give over as the province of Quebec has. I forecast to you that M. Parizeau will make that deal. M. Parizeau will say to the Anglophones of Quebec, "You are wanted, you are loved and I am going to prove it. I am going to pass the most significant protection of language law that you ever saw." Because it's a win-win situation for him. He cannot afford to have the Anglophone community and the Allophone community—those who can leave—leave. Who are the mobile people? The mobile people are the wealthy people, the employable people, the young people. Those are the people who will go if Anglophones do not feel comfortable in Quebec. He cannot afford to lose them. He will make certain they stay. He will even make overtures to Atlantic Canada of perpetual rights and free passage, which will help diffuse that important issue. He will make deals to attract showcase investments to Quebec from the few large corporations around the world and he will continue building fear of the consequences of the federal debt, which he is doing quite effectively now.

If that box just has those two doors, they could go through the separation door by 51 per cent or more. In my book (at the moment we are in chapter two) I take us through this scenario in the first nine chapters, summarising it all in chapter nine. In chapter 10, I give what I believe to be the answer, and that's a box built around the concept of Plan C. You create another opening for the electors of Quebec, and you say you can go status quo, you can go separation, or you can go very significant, even massive, decentralisation which the polls show us that Quebeckers would like. Significant decentralization, massive decentralization. Surely no one in the rest of Canada wants that. We want a strong central government. Why should we even look at decentralisation?

I think we should look at it because, I think, it is good in its own right. That's the first thing I say. I'm not counselling you to do anything that I think is incorrect. I think it's the right thing to do. Secondly, I suggest that more people want this decentralisation solution than we think, particularly in Western Canada and in the Native community. And thirdly, taking a very pragmatic approach, maybe it's the best we can do.

I shall deal with these in reverse order. Albert Einstein, when he couldn't get access to enough atom smashers, invented the concept of a thought experiment. I may ask you to do this thought experiment: accept the premise that Quebec is gone.

Now what?

The answer given by most people is something like this. Well, I guess, Canada will carry on in much the same fashion. Maybe we'll be a little bit richer because we don't have to send money to Quebec every year. Maybe we'll be a little bit culturally poorer because we don't have that second linguistic group. But we carry on all the same.

That is what I thought when I started to write this book. But as I thought my way through it, I came to a very different conclusion. My conclusion is that the Canada that will come out of this will be radically restructured and decentralised at the very best and possibly fragmented.

Now the implication of the view that life goes on is very simple: you play hardball with Quebec, or you ignore Quebec, but you don't make any changes in your life, which is perfectly good. The implication of my conclusion is very different. The implication is that you'll go voluntarily in the decentralisation direction because it's good on its own merits and it avoids the larger risk.

I think I've got to justify to you why I believe that the rest of Canada would not automatically stay together. I'm going to do that under four topics: the shock to the system caused by Quebec's departure, the balance of money, the balance of power and the balance of policy in what remains of Canada.

The shock to the system. If Quebec is gone what is the glue that can hold Canada together? There are different kinds of "national glue" in this world. The Americans pledge allegiance to the flag, are idealists, love the constitution, and so on. We are a much more pragmatic country. Our glue, our national glue, I've concluded, is mostly inertia and sentiment. Those are not bad things. Inertia is a very durable glue, but it has a characteristic brittleness: when it gets hit hard, you fly apart.

Now let us look at the money. An honest discussion of income flows in this country would amaze many of us. The numbers are in my book. The monetary transfers out of Ontario to the rest of this country are phenomenal. You do not usually choose to examine these things. None of us do. We are generous to the rest of our country. We want Canadians to have a decent standard of living. But when you start looking closely at those dollars, as will happen at this point, you see that they're phenomenal. Now the Canadian bargain on income transfers has been forged by an alliance of seven provinces. Quebec, the four Atlantic provinces, Saskatchewan and Manitoba. They are all net receivers, in some cases of very large sums. Incidentally the Atlantic provinces, on balance, receive over three times as much from the rest of Canada as Quebec does. So those numbers are going to be carefully studied. Let's look at the politics of the situation. With Quebec gone, 50 per cent of Canada's population would reside in Ontario. Now we are not going to abandon the concept of representation since that is a fundamental principle of our democracy. But are the other provinces going to agree to be totally dominated by Ontario without even the check-and-balance of the larger Quebec that used to be around? That's a political difficulty. I can tell you, it would be totally unacceptable in Western Canada.

So what do you do about that? You can talk about a Triple-E Senate. There are two problems with that. One problem is for Ontario. An effective Triple-E Senate gives the periphery control over the centre in one House of Parliament. An effective Triple-E Senate in a new country like that would in effect lead Ontario towards subsidy for the Atlantic provinces and economic development in the West. I think you might find that difficult to swallow. From the point of view of Western Canada an effective Triple-E Senate (which some Westerners who have always supported Triple-E are just starting to understand) empowers the centre just as the United States Senate does. Westerners, in fact, want to escape the influence of the centre at least to some extent. So there's a difficulty with that solution. You have a political problem in addition to a financial problem.

Now let's look at the balance of policies that we have worked out in agonising ways over many years in Canada. The politics are still very controversial. The language accommodation we made with bilingualism, that one is simple: if Quebec is gone, bilingualism is gone.

Cultural policy: federal government has been a very important player in culture by giving a billion dollars to the CBC and billions in other areas as well. The federal largesse on culture has always been justified on the basis that it sustains national unity. At this point, national unity will be gone.

Aboriginal policies. Again very controversial; in different parts of this country for different reasons. The only solution I can see in a nine-province reconstituted ROC is a decentralisation of aboriginal and other policies like immigration and multicultural policy and trade policy. The bargaining would become very hard. But bargaining there should be, because fragmentation (which is the alternative) is a very bad scenario for almost all Canadians.

In Plan B, we did some modelling as to what might happen to the regions of the country, on the assumption that it breaks up. We made the hypothetical prediction. Transfer payments would cease as deficit financing ceases, because you can't borrow money in an air of political uncertainty. These are very draconian assumptions and they produce draconian results. This is just a first-order model. I'm not pretending this is exact in any way. If you take that effect, you find that the standard of living in the Atlantic declines almost 30 per cent, in Saskatchewan and Manitoba around 13 per cent and nine per cent in Quebec. Ontario, on first-order effects, does a little bit better. For Alberta and BC, it's about a song. But for many parts of this country, it is absolutely devastating. And this is before considering the transitional effects which can be very very rough.

So I think fragmentation is not what we want. Decentralisation, by contrast, has a lot of charm. I'm not going to bash Ottawa. I'm going to praise the alternative. Decentralisation, I think, is good in its own right. It is better in terms of accountability and responsiveness of government. It is good in terms of experimentation.

If you recall, there are two philosophical reasons for this great invention of federalism in our political history. One is the very important concept that the more governments there are, the better is the defence of the citizen against the monolithic state. The other reason is that federalism allows for experimentation between various jurisdictions. We look to Ottawa now to preserve medicare, but very few of us remember that Ottawa did not invent medicare. Indeed it was highly doubtful about it. It was invented in Saskatchewan by a provincial government. Federalism does allow for experimentation in various government programmes.

You can still have some national standards by agreement, although as a practical matter, I think that the political realities guarantee national standards. Nowhere in this country, no matter what kind of government we have and whether there is a federal government or not, is our society going to allow people to starve to death. We have broad agreement on a lot of these things. Decentralisation is good in efficiency, just from a managerial point of view. So many of you here in the corporate world understand that so well. There's a couple of other very good things decentralisation does. It maintains an association north of the 49th parallel, called Canada. If it is done in time, it brings an end to separatism, because it opens that third door to M. Parizeau's box. And you know, a funny thing about decentralisation is that some of us might be dubious about it, but nobody hates it. Except Ottawa and Jacques Parizeau. Maybe that's something worth thinking about?

I'm not going to say too much today about the shape of decentralisation. We will be doing more work on that as the year unfolds. Some things, I think, are fairly obvious. It means a considerably downsized Ottawa, but it also means building up from the other end. We must maintain in Canada what I call our "international personality." We must have continuity of treaties. We must have continuity of law. We've got to have a common market.

So those are all questions for the future that I hope we will all debate. I want to conclude now by talking just a little bit about how we get there, if we have to. If, that is, I've convinced you that we should think at least a little about this. There is now a firm constitutional convention in this country that any constitutional change of significance has to go to a referendum, province by province. What that says to me is that any new structure of Canada has to be referendum-proof. To be referendum-proof nowadays, you have to be trusted. I'm not sure that the old First Ministers' Conference model is trusted anymore. I don't think it would work to build a new constitution for Canada. Remember, none of our First Ministers were elected for constitution-building; almost none of them would be trusted to build a new constitution. Nobody was elected to represent us in this most fundamental of things.

The only route that I have found (and I'm open to others that would work and has worked all over the world) is the model of a constituent assembly whereby citizens are directly elected. I won't trouble you with the details, but there are ways of ensuring that these are pretty knowledgeable people and, most importantly, that they are very well advised by governments and others. Most of the political establishment is absolutely opposed to the concept of the referendum on constitutional matters. I understand this. It is very human. And the establishment will oppose it, perhaps until it's too late.

In my book I refer to three plans: Plan A, which is what we have today and what M. Chrétien says he will without doubt preserve; Plan B, which is either a managed or unmanaged redistribution or fragmentation; and Plan C, which is described in my chapter 10 and which is a managed restructuring.

What are the odds? I give Plan A 40 per cent. Some would say that that is too high, but it has got that great inertia going for it. Plan B I'd give about 40 per cent. It has Parizeau and his rather confident group going for it. Plan C, which I think is the right one, the sensible one for Canada, has maybe 20 per cent. I think we have to shift those odds. Decentralisation, in my opinion, is a winner for just about everyone in this country. I think if it comes to it, the people of Canada may have a choice to make: decentralization and a lot less Ottawa, or status quo leading to no more Quebec and maybe no more Canada.

Less Ottawa or less Canada? I have no problem with that choice and I think it could be the real choice we will face.

The appreciation of the meeting was expressed by John Campion, President, The Empire Club of Canada.

Decent Intervals and Proper Distances

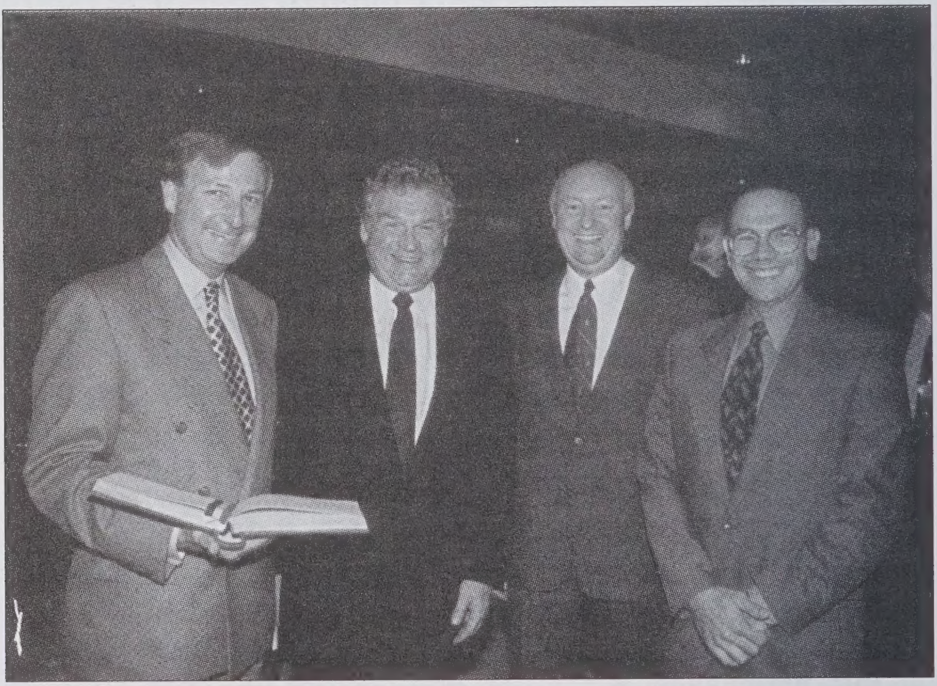
I would like to reflect on nationalism. Language and culture have been two of several components of nationalism. For France, and therefore for French-speaking peoples around the world, who claim an historical consciousness and destiny together, the use of language and culture as a unifying political force, dates back to the ordinance of Viller-Cotterets in 1539. From that date forward, the French language became the unifying political force in France. The French Revolution of 1789 gave a new dimension and political meaning to nationalism. That passion for nationalism was shared with the peoples of Europe and ultimately, with peoples around the world.

Nationalism was a major force during the politics of Europe and the world as the 19th century turned into the 20th. The concept has been constantly transformed from 1789 to date. It became the basis, with the help of Woodrow Wilson, upon which imperial rule was ended allowing the emergence of independent Third World countries.

But, nationalism in the late 20th century has been critically reviewed by Professor E.J. Hobsbaum in his brilliant 1985 lectures on nations and nationalism since 1780. He describes the nationalist movements in our time, with a particular focus on Canada, as essentially negative and divisive, intensified by petty bourgeois linguistic nationalism, combined with futureshock.

If Professor Hobsbaum is right, while we discuss the potential breakup of Canada and plan for that possibility, we must never give up our dream that Canada can and should continue. It is a tolerant and wise land where passions of the day are given "decent intervals" and "proper distances"—so that ambiguity can play its healing role for the good and the genius of Canada.

Quebec continues to be a central political issue in Canada. Mr. Gibson has given us a warning that we be prepared for separation—its costs and problems. Thank you for your insightful addition to this important national debate.



John A. Campion, President, The Empire Club of Canada, Gordon Gibson, Author, Michael Walker, Executive Director, The Fraser Institute, and Herbert Phillipps Jr., President, The Canadian Club of Toronto.

February 14, 1995

Joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Dr. Franz Vranitzky

Federal Chancellor of Austria

AUSTRIA'S ECONOMIC AND SOCIAL POLICIES IN RESPONSE TO THE GLOBALISATION OF MARKETS

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Anne Libby, Co-Owner, Libby's of Toronto Art Gallery and a Director, The Empire Club of Canada; Owen Clarke, grade 12 student, Rosedale Heights Secondary School; Bob Long, Vice-Chairman and Regional Managing Partner, Ernst & Young; The Very Rev. Douglas Stoute, Dean, St. James Cathedral; The Hon. Edward Lumley, P.C., Vice-Chairman, Nesbitt Burns; Christine Vranitzky; The Hon. Roy McMurtry, Q.C., Chief Justice of the Ontario Court of Justice; Walther Lichem, Ambassador of Austria to Canada; Michael F. Garvey, FCA, Partner, Price Waterhouse and Honorary Treasurer, The Canadian Club of Toronto; Royden R. Richardson, Secretary and Director, Richardson Greenshields of Canada Limited; Ingred Tichy-Schreder, Vice-President, Austrian Federal Economic Chamber; Frank Stronach, Chairman of the Board, Magna International Inc.; Prof. Dr. Hans-Guenther Abromeit, Honorary Consul General, Consulate General of Austria; and Herbert Phillipps Jr., President, The Canadian Club of Toronto.

Introduction by John Campion

Charlemagne Contemplates Canada

Marchfeld is a plain on the north bank of the Danube across the river from Vienna. It stretches away into the misty distance as one looks out from the tower of St. Stephen's cathedral. This plain is soaked with history. For centuries immemorial, it has served as a highway of invaders from the East—Huns, Avars, Magyars and Turks. It was Rome's eastern outpost. Marcus Aurelius died there. It was the site of one of the most decisive battles in European history when in the 13th century, Rudolf, Count of Habsberg, chosen in 1283 as the new German King, met and defeated the King of Bohemia and gave Vienna control of Charlemagne's old Ostmark. This battle in effect made the House of Habsberg, the House of Austria. This plain was the arena for great events: the battles with the Turks in 1683; the Napoleonic battles; it has been involved in the great events of this century.

The empire that was the Habsberg's monarchy ebbed and flowed from 1283 to 1916. In the end, it had its critics but, it had its positive attributes. It is to these attributes that still affect us today that I would like to draw your attention:

(1) it was a successful and enduring complex of interdependent peoples—that was and is something to be striven for by all decent means;

(2) it foreshadowed the attempt in our century to make the people of Europe develop common cause with each other;

(3) it was the first government to try and articulate a multi-national state, through the competing notions of federalism versus centralism;

(4) the great Bohemian patriot Palacky said that if the Habsbergs empire had not existed, it would have been necessary to invent it;

(5) the founder of the modern Czech state, Thomas Mazarick, who was partly responsible for the dismemberment of the empire, acted with the greatest of reluctance and sorrow knowing that what he was helping to destroy, was irreplaceable;

(6) its high culture embracing the persons of Mozart, Mendelsohn, Beethoven, Bach, Liszt, Schubert and Strauss and others, bring joy and light to our lives, through music;

(7) its scientists, such as Freud and Jung, have plumbed the depths of our beings and affect the very essence of our self-perception.

Canada is like Austria of old, a complex of interdependent peoples, a decent place and a vast territorial empire: from the harsh Atlantic coast, down the St. Lawrence River Valley, across the Great Lakes and Hudson's Bay water sheds, to the great prairie stretch, to the foothills, Rockies, Monashees, Coastals, down the great river valleys of the Fraser, MacKenzie, Saskatchewan and Nahanni, the Pacific coast and the snow desert of the Arctic. Canada is a beacon of openness, fairness and generosity to all its diverse citizens—a multi-national federal state. Although Canadians are unassuming, Canada has produced her share of great men and women in high culture, learning and internationalism.

If Canada did not exist, the modern world may be unable to create it.

The Federal Chancellor obtained a Doctorate of Business Administration and a degree in Economics and International Trade from the Vienna University for World Trade. He was employed with the National Bank of Austria, was the Federal Minister of Finance, Chairman of a bank and was made Federal Chancellor of Austria in 1986. He has served as Federal Chairman of the Social Democratic Party of Austria since May, 1988, and is one of the Vice-Presidents of the Socialist International. Please welcome the Chancellor and let us together recognize the pre-eminence—past and present—of his wonderful country, Austria.

Franz Vranitzky

Ladies and gentlemen,

For Austria the year 1995 started with a step, which in its political and psychological importance can well be compared to the restoration of the Republic in 1945 and the resumption of full sovereignty as a result of the State Treaty in 1955. As of January 1, Austria has become a member of the European Union.

This step happens at a time when Europe—and I dare to say the whole world—sees itself confronted with dramatic changes. As to the effects of all these changes, there are still quite different and probably not very clear ideas. I would like to list five factors which characterise this new situation:

1. The globalisation of markets, capital flows and production has exposed our national economies to permanent worldwide competition;
2. This global competition, as well as fundamental changes in lifestyles and demographic trends—such as

a rapidly aging population—are forcing us to review the function, the working and the solidity of our social safety nets;

3. Path-breaking technological advances, such as the digital revolution, are changing and penetrating all areas of life;
4. The increasing scarcity of resources and the need to preserve the environment are questioning traditional growth policy;
5. Finally, with the breakdown of Communism and the dissolution of the Soviet Union, our system of reference, which (despite its polarisation and unacceptable philosophy) provided stability has disintegrated.

In view of these changes, we have to acknowledge that in many fields we have reached the limits of effective national policy-making, and that we can only master the challenges facing us through joint strategies and common action.

This also means that our political decisions are put to a global test day after day and that politics has become a constant effort to reach higher international standards, whether in the economy, regional planning, technology, or with respect to our social and educational structures.

One of the reasons why the Austrian federal government strove for EU-membership was precisely because we are convinced that it is only through a joint approach at the European level that the present economic, ecological, social and security policy challenges can be met consistently and efficiently.

One of the greatest challenges in the coming years will be to ensure the competitiveness of our industries.

Over the last years, with the dynamic East Asian economies and the East European reforming countries, new players have entered the international scene which are able to compete with the industrialised countries in many sectors; and other countries, like some in Latin America, have overcome the debt crises and are now joining in the worldwide competition for investments, market shares, foreign exchange and, above all, jobs.

What dynamism there is, notably in the East Asian economies, can be seen from the fact that the Union Bank of Switzerland, in a recent study on the future perspectives of various economic locations, lists only one classical industrial nation, Japan, among the five most promising. The number of countries whose economic potential is close to ours, but which start from far more modest conditions with respect to social and environmental standards—and hence from far lower production costs—is thus getting bigger and bigger.

We therefore have to do all we can to design and implement new, future-oriented strategies for qualitative and quantitative growth. As some of the most important points of leverage, I would mention:

1. the modernisation of our infrastructure in the fields of transport, energy, the environment and telecommunications;
2. more investment in our greatest resource—human capital—through a broad training and qualifications offensive;
3. and a sweeping initiative to encourage research in order to develop innovative, resource-saving products and processes and to get them to the market.

Only if we succeed in achieving the desired breakthrough in these areas, will we be able to create a sufficient number of new jobs in Europe, as well as in North America.

Let me add a few remarks to the goal of creating a single currency within Europe. It seems to me that the target date (1997–1999) for a single currency has been chosen a little bit too ambitiously. I do think, however, that with a delay of a few years we will have a European Central Bank and we will also have a European currency. The Austrian schilling—with an outstanding record of being one of the most stable currencies in the world—will clearly be in the league of the currencies meeting the so-called Maastricht criteria. Austria believes that a joint European social policy is inseparably linked to economic development.

Social policy in the Union is largely left to the member states; but precisely for this reason it will be necessary to develop a joint programme for social convergence as a complement to the Economic and Monetary Union, in order to prevent a distortion of the internal market through social dumping.

Also the big ecological problems, such as the greenhouse effect, the protection of water resources and the careful use of fossil fuels can only be tackled by co-ordinated action at the continental and global levels. Environmental protection should not limit itself to regulatory measures; economic incentives are just as important. In this context, we have witnessed an important change in economic thinking over the last few years: the internalisation—and thus avoidance—of environmental costs is not perceived by all sections of society as an investment in their own future.

Unconventional ideas are also required for a new, environmentally minded transport policy. Such regulatory action should be complemented by infrastructural measure, permitting a sustainable shift of traffic from road to rail or water. The EU's transport projects in the framework of the Trans-European Networks are proof that the European Union is ready to take the future of European transport into its hands.

All strategies of European integration—whether in the area of industrial or regional policies, environmental protection or social security—can only be successful in the long run if we succeed in bringing in the reforming countries of Central and Eastern Europe. Both the political vision of a unified whole Europe, as well as pragmatic reasons adduced during the trauma of many decades of partition, tell us that the participation of these countries in the process of European integration must be our declared medium- and long-term aim.

The integration of the new democracies is an extremely complex task and requires—in analogy to developments within the EU—a substantial process of convergence, especially in the economic and social spheres. This convergence will not come by itself, but must be actively supported by the Union. The "Structured Dialogue" recently presented by the European Union is an important step to familiarise these countries with the institutional framework of the European Union and to involve them now, as far as possible, into the work of the Fifteen.

In this context, I have launched a regional initiative to develop infrastructure in the Eastern neighbouring countries, mainly concerning the areas of transport, energy, telecommunications and the environment. Private investment should be encouraged also to link up the infrastructure networks between East and West.

Austria has perceived the opening of the East as a great opportunity for itself: not only has foreign trade developed extremely well since 1989, but Austrian companies have also made full use of the new possibilities and are among the most active investors in the region. In addition, Austria provides—next to Germany—the highest per-capita rate of financial assistance; and these initiatives by the federal government have helped to make Austria the country with by far the most intensive relations with the East.

My basically optimistic assessment of the trends in Eastern Europe must not make us lose sight of the facts that violent conflicts are still part of political realities and that the danger of the emergence of new demarcation lines in Europe continues to exist. Therefore, the establishment of a comprehensive European peace order, together with the need for the construction of a co-operative partnership with Russia and the Ukraine, constitutes one of the biggest challenges for the coming years. It should also be a central issue for all Western policy makers.

Once inhuman wars (like in Chechnya or Bosnia) have broken out, it is very difficult to break the vicious circle of violence, hatred and misery. We must therefore do what we can to create structures to help us to spot and defuse potential crises in their initial stages.

In these areas, I see for Austria—also on the basis of its self-perception as a neutral country—a wide and important field of action. I am convinced that, on account of our experience in peacekeeping operations, for example, we shall be able to make some substantial contributions. In this area I could also imagine closer co-operation between Canada (which has so far sent over 75,000 Blue Berets to trouble spots around the world) and Austria (with her total of 34,000 volunteers for UN peace-keeping missions).

With all the importance of regional integration processes which we see in the framework of NAFTA in North America and which are now also beginning to emerge in Latin America as well as in South East Asia, it is necessary to point out the danger of these regions as opponents and competitors rather than as partners.

I have always warned against this kind of "fortress building" and I will continue, within the framework of the EU, to advocate strongly an open-door policy of co-operation with other regions in the world. This basic philosophy of openness on the part of the European Union must particularly apply to the countries of North America, with whom we are so closely linked by history, culture and values.

Austria has prepared herself very carefully, politically and economically for EU-membership, which is the best guarantee to preserve and safeguard our vital interests in the coming decades. We approach our work towards integration with confidence, but not with naiveté. Conflicts of interest do not disappear simply because one has joined up with others to form a bigger unit. Hence, both at the European and global levels, nobody can relieve politicians from the burden of seeking to conciliate these interests.

A fair distribution of wealth, the quality of life and the environment, social and personal security, and human dignity and cultural autonomy are goods and values that have to be fought for again and again. International co-operation gives us the possibility to shape the vision of a united, peaceful world inspired by solidarity with our friends. Canada will find in Austria a reliable partner in her efforts to move closer to these goals.

The appreciation of the meeting was expressed by Herbert Phillipps Jr., President, The Canadian Club of Toronto.

Anne Libby, Libby's of Toronto Art Gallery and Frank Stronach, Chairman of the Board, Magna International Inc.

June 10, 1994

Albie Sachs

Author and Member, The African National Congress

ACHIEVING THE IMPOSSIBLE

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

John H. Tory, Partner, Tory Tory DesLauriers & Binnington and 3rd Vice-President, The Empire Club of Canada; Jacinth Herbert, Associate with the law firm, Mary Eberts and Past President, The Delos Davis Law Guild; Larry Lowenstein; Partner, Osler, Hoskin & Harcourt and Co-ordinator, Canadian Supporters of the Legal Resources Centre in South Africa; Marilyn Pilkington, Dean, Osgoode Hall Law School, York University; The Rt. Rev. Bishop Finlay, Anglican Diocese of Toronto; Patrick C. Evans, Consul General, South African Consulate; Denise Cole, Special Assistant, Social Policy and Media Relations to Mayor, City of Toronto and a Director, The Empire Club of Canada; Henry G. Blumberg, Gardiner, Blumberg and Convenor of the University of Capetown Alumni Association; Stephen Pincus, Goodman & Goodman and Chairman, South African Business Network; and The Hon. Charles Dubin, Chief Justice of Ontario.

Introduction by John Campion
Mandela Forgives Diaz and Rhodes

It was July, 1991, almost 18 months to the day, when the sun had set on the old South Africa. Eighteen months prior to that July day, F.

W. de Klerk had stunned the world, and black and white Africa alike. The President of South Africa had lifted a thirty-year ban on the African National Congress and other organisations and allowed political exiles to return. de Klerk had ended restrictions on the political activities of 500 anti-government activists, including Nelson Mandela.

On that July day in 1991, waiving the stump of his right arm in amandla power salute, Albie Sachs walked to the front of the hall to claim his position as a member of the ANC's policy-making national executive committee at the Watershed Congress of the ANC. He had been mutilated by a bomb planted in his car in Maputo in 1987. Albie Sachs' life was testimony that whites too had made terrible sacrifices in the struggle against apartheid.

Mr. Sachs stood with many but stood uniquely as a white man against a history of oppression against people the government had called blacks and coloureds. The original inhabitants of the beautiful Southern Africa were the Khoikhoi and the San and the Bantu-speaking population. The systematic oppression of those people had been in place since the founding of the Dutch East India Company in 1652. Conquest, slavery, economic enslavement and formal government policy had all worked a vicious encirclement of oppression.

The history of South Africa was not without its colourful characters. They included Bartholomeu Dias who first led the Portuguese expedition to reach South Africa in 1487. It involved Cecil Rhodes and Peter Kruger; it involved Ghandi, Bishop Desmond Tutu and Nelson Mandela. As you know, it is the story of gold, diamonds and wine; it is the story of deprivation, death and enslavement.

Mr. Sachs is more than a courageous advocate, reformer and theorist on human rights. He is a man by all reputation, who has suffered imprisonment, solitary confinement, exile, an attempted murder and remains quiet-spoken, literary and civilized. Mr. Sachs wrote the moving and powerful book, *The Jail Diary* describing his period of confinement. The book was turned into a play and performed by the Royal Shakespeare Company and on numerous occasions throughout the world. Mr. Sachs has taught at the University of Southampton and written on sexism and the law and human rights in South Africa.

In 1976, Mr. Sachs was invited by the government of Mozambique to draft a new Civil Code for that country and asked to set up a system of legal education there. Within the ANC, Mr. Sachs helped establish the legal department, worked closely with Oliver Tombo on a Code of Conduct for the organisation and was a member of the

Constitutional Committee. He has been awarded the Martin Luther King Memorial Prize for a book called, *Island in Chains* and the Allan Patton Memorial Prize for *The Soft Vengeance of a Freedom Fighter.*

No one who has even the remotest interest in world affairs could have been anything else but moved by the description of voters going to the polls for the first time in their adult lives to elect a government or moved even more to welcome South Africa back into the Commonwealth with Canada as its friend and sister nation, as opposed to a South Africa which was an oppressor nation in the world.

Albie Sachs had a role to play in this dramatic political transformation. Please welcome Mr. Sachs to our first breakfast meeting.

Albie Sachs

Well thank you very much for that very eloquent presentation—a bit solemn for 7:30—and also solemn considering the joy in our country right now. The pain is still there and the problems are still there, but the feeling, the outlook and the sense of lightness are very, very, new and that's what I hope to communicate a bit of in my contact with you today.

I'm going to do something I've never done in my life. I'm going to wave a flag. If you are wondering what this stick is in my pocket, it is not a lolly-pop. It is quite an amazing flag because it's got too many colours. They clash. The shape of a Y refers everybody to Y-front jockey underpants. When we first saw it in the newspaper, we were horrified, and we love it. We love it. It has one huge advantage: it is not the old flag. It has another advantage for other South Africans: it is not the ANC flag. If you look closely you can see a lot of the old flag in it, and you can see a lot of the ANC flag in it. The fact is that it is a flag for everybody. We've defied all the rules of flag making. It's been made by a committee. Aesthetically it works. And it works because it brings everybody in. It makes everybody feel represented and not excluded.

That's really how we are developing our new South Africa—with that sense of participation and involvement of everybody. That is our great human achievement, and perhaps the reason why we emphasise that ours is not only the anti-apartheid approach now. Everybody matters. There are no great groups or small groups. There are no important languages or unimportant languages. There are no major races or minor races. There are no significant cultures or insignificant cultures. It is enough that you are a human being. It's enough that you live in the country to count, to be included, to matter—and in a way it is quite extraordinary that these very elementary—if you like, ultra-simplistic, almost banal—notions are the underpinnings of everything that we have managed to achieve. That sense of joy and sense of release and achievement has come about not simply because we've managed to overcome strife and conflict and to diminish the hatreds, but because there is a kind of almost primitive human recognition, a basic acknowledgment of the humanity of everybody. I think this is wonderful anywhere in the world but you cannot always achieve it. People are almost embarrassed to be so naive as to recognize their common humanity with others. We live in a world that is so street-wise that one is almost denied the opportunities to be generous, to be forgiving and to be loving. You have to apologize for those things that should be the most normal things in the world. And you have to come up with some kind of excuse or justification for being so open, so vulnerable, so honest and so trusting.

Well, our historical moment has given us that opportunity. It has emerged out of pain; it has emerged out of suffering; it has emerged out of prolonged and intense negotiation, struggling, fighting with each other, bargaining; so it is a combination, then, of that very elementary, almost primeval, acknowledgment and recognition of humanity on the one hand, and very, very hard tough realistic bargaining on the other. When these two met, we got our Constitution, we got our elections, we got our Parliament, and we got our country.

I'm going to say a few words about the phase that we are in now. The fun, the joy, the sense of release is still strong in South Africa. It's interesting how people are still telling each other stories. It's as if we don't want to let go of these marvellous moments, the way we tell stories about standing in the line for the elections, and what it meant to everybody. We'll tell the same story over and over and over again. Everybody will tell the story of how they stood in the line. In a way, nothing could be more boring in the world than standing in a line and yet it becomes revolutionary in South Africa—the patience, the acceptance, the sense of equality and neighbourliness, and the facts that the temple didn't collapse and the sky didn't fall and that all the candles and the canned goods that people stockpiled are now filling the pantries for nothing. And a few of us who almost didn't buy food, because we didn't want to show any panic, went out and started buying food after the elections. Everybody has an anecdote, everybody has a story, because we want to savour (and not to release and let go) what's been a very, very special period for ourselves. Those of us who are fortunate enough to be invited to Parliament and the union buildings for the inaugurations have also our extra, very special stories. Again there was a sense of naturalness and spontaneity that helped us to do what we claimed we wanted to do.

We want to South Africanise South Africa. We want all the dimensions of our country—the inputs, the cultures, the traditions—all to emerge and to interact with each other, not by putting the one against the other, not by forcing choices between one world view and another world view, but just by allowing them all to mingle naturally. Where better to do that than in Parliament itself—particularly in this period of the new Parliament, in effect, the first Parliament, the first South African Parliament.

And so instead of all being dressed (excuse me saying so) like most of you are dressed, which was your right and your entitlement, people who felt they would like to dress in a robe or in a sari, or wear a particular kind of cloth, because that's how they felt comfortable and how they felt themselves, dressed like that. Before, there were certain traditions in Parliament by which you don't applaud, but can shout the most rude and nasty things. Somehow, that's regarded as parliamentary, but a bit of spontaneous clapping is regarded as a total violation of the spirit of the House. Well, all the new people coming in felt it to be our day and our time. We want to be natural. We are not diminishing the dignity of the House by showing joy, pleasure and excitement. On the contrary: we're giving it a real vitality, and we're not subordinating ourselves to a kind of enforced and often rather hypocritical culture of frequently nasty interchanges masquerading as politeness. And so it was that the buildings were liberated, were opened up. When the praise singer came in, it was, I think, a little bit horrifying for some of the traditionalists. Interestingly, the traditionalists were mostly Afrikaner nationalists, who themselves had been fighting the British Empire and had been fighting to establish a more South African personality for that building and who had somehow incorporated and taken over an ancient version of Westminster that doesn't even apply in Westminster anymore and who had become the most solemn defenders of those values and culture. They are a little bit horrified at the new South Africans going in there including a praise singer dressed in a traditional kind of outfit, introducing new vibes, a new personality and a new resonance into that building. But there were very, very few people like that. Somehow the South African nation generally, in all its variety, felt this was right—felt comfortable, felt you don't bring the walls down by having a praise singer. On the contrary, you are introducing an extra dimension. You're helping to legitimize the building and all the proceedings that are going to follow afterwards.

When the 40-year exile Frene Ginwala, whom some of you might know, was elected speaker of the House, again it was a violation of a kind of a tradition—not a formal tradition, but a tradition more powerful because it is not formal, but it is invisible and is just taken for granted: that the speaker has to be a man with a powerful voice who can shout everybody down. Frene Ginwala has a soft voice, uses the microphone and wears a sari. She is very gracious and elegant and she reintroduced a tone of respect and sensitivity that worked very well in this new kind, human, psychological mix that's emerging in our country. We don't know exactly how it's going to work out.

Ken Owen, the editor of The Sunday Times, and our most brilliant polemicist has attacked everybody, and with a sharp pen, he has the kind of poison that prickles you, and puts you on your guard, and makes you think. Everybody reads him. A few days ago, at the Alan Paton Memorial presentation for the best book of the last year, Owen said that he's been to Parliament and that he finds himself crying and crying and crying. And to hear this now from—I don't know if you have an equivalent in Canada—somebody who is a natural polemicist and naturally sharp, but also makes a name out of it and has to keep it up is remarkable. You don't want that kind of a person to cry, but now that person can cry, and he can stand up in public and say he's crying because he's seeing what our nation is capable of. He shows a kind of generosity and concern for the school feeding of children and for a whole series of programmes. Joe Slovo previously a military commander but now a minister of housing says that it's not just houses that we need, it's homes that we need. People need to feel that they are human beings, not just to have some bricks and a roof over their heads.

So this is a lot of what we are achieving in our country now. Maybe one of the blessings of exile is that you see the world and you come back from exile with the values of the world. These are not always the good values of the world but, we hope, the best values of the world. We've learnt from the mistakes that have been made in the countries in which we've lived. We've lived everywhere. We've lived in China, the former Soviet Union, East Germany, West Germany, the United Kingdom, France, Italy, Portugal, North Africa, Central Africa, Asia, Canada and the United States. A few of us, though not too many, have been to Latin America. We've seen all the attempts and all the styles. We've participated in the political debates. We come back and we bring back with us what we hope is a distillation of certain late twentieth-century common ideals of humanity. I wouldn't say they are non-controversial, but they are basic decent ideas that we want to introduce in this period of renovation. We are very proud of the fact that we're fighting against capital punishment in South Africa. I know different people have different views on an issue like that. We feel that in our country, where there has been so much brutality, killing and violence of person against person, it's a very important symbolical move to make. Our state will not take the lives of the members of our society. And it also has a practical value because we have people from the right-wing, from the left-wing, and from all sorts of different groups on death row. And how do you choose? If you release so-and-so, then you have to release somebody else and somebody else and somebody else. So what turns out to be the humane, moral and principal position actually becomes very practical and very functional in reducing the level of tension and anxiety in our country.

I know the question of gay and lesbian rights is very much on the agenda and I know that people have different views on that question. One can respect the different views that people have, but our feeling, and I am very proud to say it's been accepted inside the ANC, is that the right to be different is a fundamental human right, and that for society to impose a stereotype of behaviour on human beings is a violation of something that's very, very important for the human personality. It's not a question of whether you are gay or straight. If you have to proclaim: "I'm fighting for gay and lesbian rights but I'm straight" you deny the very idea that you're trying to communicate. People have the right to be as they are. The fact is that despite all the cultural conservatism in our country that is found in all the different cultures, the declaration of rights is not specific to any racial or national group, it's now part of our Constitution. Our clause pertains to unfair discrimination on a whole variety of grounds, including sexual orientation. It remains to be seen whether or not the kind of issue that's cropped up here in Ontario, whether to enable gay partnerships to have legal recognition or not, will be a constitutional question that will crop up in due course. There is a whole series of issues like that.

I've become involved with the disabled people's movement. We have a wonderful organisation in South Africa called Disabled People of South Africa and I'm sure that if I hadn't been blown up and lost an arm, I would never have had contact with them. It would have been just another one of those umpteen groups out there which you know about and feel vaguely sympathetic towards. Shortly after my return to South Africa, they invited me to one of their meetings to speak on the constitutional position of disabled people. For me it's a particularly moving organisation because it has black, white, brown, male and female South Africans in it. It is an embryo of the South Africa we want. The members of the Disabled People of South Africa have come together as disabled people fighting for their human rights as disabled people and overcoming the prejudices, the barriers and even the differences of background that is part of the South African set-up. And on the basis of their solidarity as disabled people, they've created a very powerful movement that is active, participatory, and part of that broad, civil society that is so important to ensure that government doesn't try to do everything when people are fighting for their own rights where they are. The first time that I spoke to them I remember saying, "Well, what you must do…" and I thought, "No, no, that's wrong. What I must do…" They smiled and said that I would get used to it. That was my transition to acknowledging and accepting myself as part of the disabled movement. And again it is a tribute to the richness of the new culture that's emerging in South Africa that two people in this disabled movement are on the ANC. It so happened that one is white and one is black. They were two prominent personalities. One was elected to Parliament.

Again, this is regarded as part and parcel of what we are trying to do. It's not simply to overcome the massive injustices. It is not simply to ensure that people have access to land, to education and to health, important though that is. It's dealing with the human side, with the human being. There we draw on something that's very strong in traditional African culture, and that hasn't been destroyed—that sense of deep interpersonal communication, the courtesies, the refinements of speech, the kinds of acknowledgment and recognition that is part and parcel of a popular culture. It comes out in song, it comes out in movement, it comes out in dance. To those of you who saw the inauguration in the union buildings, I don't know if they showed the spontaneous singing of the people at the back at the time when we were waiting for all those cars of all the VIPs to line up, and for the VIPs to come out in the order of protocol. Instead of simply grumbling and muttering, the people started singing and moving around. It turned what could have been an awkward moment into a very joyous moment that gave spirit and lasted through the whole occasion. Well that is part and parcel of our culture.

Now all these good, progressive ideas of international humanity are coupled with very hard-headed constitutional arrangements that have been thrashed out over years. It has been about three years now of battling, frequently in smoke-filled rooms, and I speak as an anti-smoker. I cried and cried and cried but not like Ken Owen. I cried simply because of the fumes in my eyes. But it was for democracy. The smokers of the ANC got together with the smokers of the National Party and they figured out government of national unity by having unity between the smokers and the anti-smokers. We won a few, they won a few.

But where do we stand now? We've got through the problems of the impossible. I'm not comfortable with the statement that we hear over and over again: "It was a miracle." There are two kinds of miracles. There are real miracle miracles, and maybe somebody on this platform can help me about the miracle miracles. But there are also what I call hard-work miracles, where the outcome is miraculous in the way it affects people, and faith, conviction and belief certainly go into it, but these miracles require intelligence, hard work and co-operation over a long period of time. The investment of your souls, of your minds and of your belief in certain ideas can be shared by many, many people. That's been there in our generation. We've worked at it.

In my case, it was in the 1950s, when I was a young student. I just saw the possibilities, and I got in touch with my fellow countrymen and women, from whom I had been cut off by the system in which I'd grown up, and I just found such joy and pleasure and I felt so much enriched by it. To me it is not a question of sacrifice for something. It is a question of living a very wonderful life that's full of meaning, and, instead of being frightened of my neighbour, getting to enjoy being with my neighbour, associating and giving something to my neighbour and learning something from my neighbour. In that sense, ours is such a rich country. We've had such marvellous human solidarity in exile, in prison, and back in the country now. It's been extremely rewarding and a pleasure and a joy to participate in that whole process. And there are many whites involved in the process, I'm happy to say, more now than there were when I first started. There are many people of Asian origin, people of mixed descent, and of course millions and millions of black people involved. We're very happy that it is a broad movement of that kind.

In any event, we've now reached the stage at which we've achieved the impossible. People said you could never have universal suffrage in a divided country like South Africa. Not only did we have it, but having it transformed our country. It wasn't like a root canal treatment that you feel pleased with afterwards because it is over and because it takes some of the pain away. It was a joyous event in itself. The medium was the message. The voting as equals, the patience, the sense of emotion was the message in itself.

So we've achieved the impossible. Now we have to go for the nearly impossible, and that should be much easier. But with that same sense of faith, that same sense of commitment, now we need houses which are homes, we need neighbourhoods which are communities, we need people to have a sense of pride in their work and have work in terms of which they can have pride. and we need a decent health-care delivery system that reaches everybody. We need an approach to health that isn't based simply on technology and treatment, but is based on a clean environment and nutrition. We need a pride in our humanity and in the uniqueness of each personality, a pride protected by the law with institutions and mechanisms to achieve that uniqueness. We need economic growth and development that's not simply a blind force based on mathematical calculations but one which takes into account both the importance of efficiency and maximum utilization of resources and is caring. We can deliver the goods to everybody. We need a cultural upsurge so that we can get away from a lot of frequently sterile arguments about closing down the opera houses and Euro-centred versus Afro-centred art. We want South Africa-centred art but South Africa has people from all over the world bringing in the cultures, the languages, the musical forms and the traditions from all over the world. We need them all in our country. We need to develop our own operas, our own dance forms, our own painting and our own visual arts.

All these things now are possible on the basis of give-and-take, sharing and respect. We've got it in the government. We're going to have fights and there are going to be set-backs. We mustn't panic, and we mustn't allow these huge human achievements to be destroyed by the first set-back and the first disaster that happens. I think we can do it. I think that there is enough sense of achievement and goodwill and human happiness in our country to make it possible for us to use our huge resources, and I think that we have enough backing, friendship and support from outside, from the world at large, to facilitate that whole process.

It amuses me and it gives me great pleasure to ask people to fill their glasses with South African wine and drink a toast to the new South Africa. (If they don't drink wine I ask them to fill their glasses with South African fruit juice and, if they don't drink South African fruit juice, we've even got very good mineral water in South Africa.) I think that people who want to invest in our country will find that not only are there decent hotels and golf courses, and not only are there lawyers who speak the language they can understand and accountants who count in a way that they're used to, but they will find that it's a country that's rich in resources. To a certain extent South Africa is undercapitalized in every possible way, because we have been held back, and we've held ourselves back, by the whole apartheid set-up. It is a good place to invest in and an interesting place to invest in. People don't invest to help anybody else. People invest to make money, and I think that's the best basis for investment. But if you can make money in a country with the additional satisfaction that you are participating in this process of human growth and renewal, so much the better. We are expecting quite a lot of investment in that sense.

But in addition to the direct capital investment and transfer of technology which we look forward to, Canada has a very special role to play, in terms of the culture, the history, the style, and even the language. There are lots of points of contact and correspondence, and we feel very comfortable and easy in Canada. Maybe the reason why so many South Africans put up with your winter is that in other respects it's a relatively easy country to settle in. I've been speaking to many judges and legal people, and if I can say so, immediately we hit on to a common wavelength. You're speaking a similar kind of language and encountering very similar problems. We speak to your medical people and realize that we are going to need some kind of comprehensive health service in our country. You've got wonderful experience here. Maybe you complain about it or it's not as good as it ought to be, but it is a very, very rich experience of a basically decent kind of health-delivery service from which we can learn a great deal in our country. You've got film makers who've had to overcome the idea that we can't make movies, and you've developed their own cultural imagination. You've got a language problem and we've got a language problem. There is a lot that we can share and, in addition, there is a kind of basic decency that you take for granted. You are not as cynical as the Americans. Maybe you've got less to be cynical about. It's that kind of acceptance of the normal decencies of life that we need more than anything else in South Africa and I find that is very extensive in Canada. So we are not asking you to export a kind of brilliance to us. We have to achieve our own brilliance, but we do look forward to your normality. Thank you very much.

The appreciation of the meeting was expressed by John H. Tory, Partner, Tory Tory DesLauriers & Binnington and 3rd Vice-President, The Empire Club of Canada.

John A. Campion, President, The Empire Club of Canada, and The Hon. Charles Dubin, Chief Justice of Ontario.

Claude R. Thomson, Q.C., Partner, Fasken Campbell Godfrey, John H. Tory, 3rd Vice-President, The Empire Club of Canada, Marilyn Pilkington, Dean, Osgoode Hall Law School, Patrick C. Evans, Consul General, South African Consulate, John Bankes, Past President, The Empire Club of Canada, and Larry Lowenstein, Partner, Osler Hoskin & Harcourt.

The Rt. Rev. Bishop Finlay, Anglican Diocese of Toronto, Claude R. Thomson, Partner, Fasken Campbell Godfrey and Marnie McGarry, Businesswoman.

March 3, 1995

Joint meeting of The Empire Club of Canada, The Canadian Club of Toronto and The Atlantic Council of Canada

Willy Claes

Secretary General, NATO

THE NEW NATO—SERVING CANADA'S INTEREST

Chairman: **Herbert Phillipps Jr.**
President, The Canadian Club of Toronto

Head Table Guests

John Woods, Vice-President of the Atlantic Council of Canada and City Auditor of the City of Toronto; Rebecca Murphy, Department of National Defence Military and Strategic Studies Intern with the Atlantic Council of Canada; Layton Peck, President, The Canadian Club of Ottawa and Director, Domus Software; Commodore Kenneth Nason, Commandant of the Canadian Forces Command and Staff College; MGen. Bruce Legge, Past President, The Empire Club of Canada, Vice-President of Atlantic Council of Canada and Partner, Legge & Legge; Edward Crawford, Chairman of the Atlantic Council of Canada and Chairman of the Board of Canada Life Assurance Company; Ambassador John Anderson, Permanent Representative of Canada to the North Atlantic Council in Brussels; Mrs. Spenser; Dr. Edward Neufeld, Director of the Atlantic Council of Canada and former Chief Economist, Royal Bank of Canada; The Rev. Canon Milton J. Barry, Incumbent, Grace Church on the Hill, Toronto; Barry Campbell, MP, Member of Parliament for St. Paul's Constituency in Toronto and Chairman of the Metro Toronto Liberal Caucus; Cameron Campbell; Prof. Edward Badovinac, Director, The Empire

Club of Canada, Director of the Atlantic Council of Canada and Professor of Electronics, George Brown College, Toronto; Dr. John Polanyi, Professor of Chemistry, University of Toronto and Winner 1986 Nobel Prize for Chemistry; Prof. Robert Spenser, President of Atlantic Council of Canada and Professor Emeritus History at Trinity College, University of Toronto and John A. Campion, President, The Empire Club of Canada.

Willy Claes

It gives me great pleasure to address such a distinguished audience, in this my first trip to Canada as Secretary General of the North Atlantic Alliance. I would like to salute The Empire Club and The Canadian Club of Toronto, and thank in particular Professor Bob Spenser for the support of the Atlantic Council of Canada and for arranging my appearance here today.

Arriving in Canada in the winter, especially in the month that "comes in like a lion," usually causes some trepidation on the part of us Europeans. But the warmth with which I have been greeted here has banished any fear of freezing temperatures. This warmth is a reflection of the timeless bond of friendship that exists between Europe and Canada. We Europeans have an eternal debt of gratitude for the sacrifices Canadians have made twice in this century for the freedom of our continent.

Today I wish to describe to you how, in my view, Canada's interests are served by a continued strong, visible commitment to the North Atlantic Alliance. Then I shall set out the agenda of our "new NATO."

We will shortly be marking the 50th anniversary of the end of the Second World War. Out of that holocaust arose new institutions which embodied, on the one hand, an internationalist ethic, and on the other hand, the hopes of Western nations for a new order of security that would prevent the recurrence of war among the major powers in Europe.

Canada was more than merely present at the creation of those institutions. It helped shape the post-war order, contributing inspiration, expertise and experience. The United Nations Organisation came into existence in 1945, thanks to the determination and persistence of countries like Canada—specialists, as it were, in constructive diplomacy. And it is not just in the UN Charter where one can see the hand of Canadian diplomacy. Through its dedication to consensus-building and multilateralism, Canada—perhaps more than any other power of its size—provided leadership in the creation of the other enduring bulwark of the international security order: the North Atlantic Treaty Organisation.

During the parliamentary debate on Canada's ratification of the treaty establishing NATO, Lester Pearson explained that the purpose of the treaty was to increase the security of the North Atlantic community and to remove the economic and political causes of war. He went on to say: "That is why this pact is an instrument of peace. It will promote those conditions of stability and security in which peace flourishes." This statement is as relevant today as it was 46 years ago.

I can understand that, from a North American perspective, this quest might seem Eurocentric. There is, of course, a very simple reason for this. Europe, the main area of East-West confrontation for the last 40 years, is now the focus of a new, hopefully lasting, effort at reconstruction and reconciliation. Not surprisingly, the question arises from the Western side of the Atlantic: Can't this be handled by Europeans alone? Hasn't the end of the Cold War also signalled the time to end Canadian and American involvement in European security? Canadian observers especially may ask: "What is in it for us? How does NATO serve Canada's interests?" Let me offer you some answers of my own.

I know full well that today Canada is engaged in a battle of a different kind—against a budgetary deficit of historic proportions. This is a battle that involves livelihoods and personal and public economic security. Other allies face similar pressures. But in waging this struggle against public deficits, we should resist the temptation to cash in the solid, long-standing bonds of Alliance partnership, even under the guise of restructuring and down-sizing. In providing for our defence and security in a more complex and yet still dangerous world, we cannot rob Peter to pay Paul. We cannot imprudently squeeze defence budgets today without exposing ourselves to new and costly dangers tomorrow.

Preserving national interests and security, while at the same time retaining influence and respect, does not come cheaply. Yet the smaller Alliance countries can pool resources and wield influence in a way that would simply not be available if those same countries worked on a national basis alone. Plainly speaking, NATO is an insurance policy that is affordable and reliable. For countries like Canada, it is an influence-multiplier.

Fundamentally, however, Canada's stake in NATO can best be measured in terms of the thousands of young Canadians who gave their lives in Europe during the First and Second World Wars. For all those who, like myself, do not believe that history has ended and that the peace of Europe is secure, NATO's purpose is to ensure that those young men and women did not die in vain, and that new generations of North Americans and Europeans will not have to repeat their sacrifice.

But what about the other side of the coin? What do the European allies derive from a visible Canadian commitment to NATO? To me the answer is clear. Canada brings ideas and expertise. It brings an enviable reputation for finding and encouraging compromise, and for providing measure and balance. Moreover, Canada represents a special dimension to the North American pillar of this Alliance, and to the transatlantic link. Despite being next-door neighbours to the United States, your history, culture and diplomacy are different. This provides an important contrast, much appreciated by the smaller European allies. And Canada also brings us an appreciation of the demands and requirements of security in the waters and on the territory of the Alliance's northern regions.

In short, what we derive from Canada's commitment is the profound reassurance that a chief designer of, and contributor to, the North Atlantic community remains at our side as we seek at last to bring about a peaceful and united Europe. This reassurance is all the more important now that the old "verities" of the Cold War are gone. Instead, there are new challenges to security and stability for which NATO has developed a new agenda, one which directly addresses both the threats and opportunities which now characterise the European landscape.

Let us start with the former Yugoslavia, where we are confronted not only with a humanitarian tragedy, but with a conflict that threatens to spread throughout the Balkan region and engulf other European countries, and even to undermine our wider efforts to create a new and lasting security order. Several of our allies, Canada of course included, have committed troops to the UN Protection Force. They have performed a difficult and thankless mission with courage and skill. But they have been confronted with a challenge far greater and more dangerous than what has traditionally been the case with UN peacekeeping, and so have turned to NATO for support.

There is no doubt that this support has made a difference in the former Yugoslavia. First and foremost, NATO has helped prevent the conflict from spreading throughout the Balkans. NATO has also put constant pressure on Belgrade through its enforcement of the UN-imposed air and sea embargoes. And now, with the possibility looming of an UNPROFOR withdrawal from Croatia and perhaps from Bosnia, too—a prospect which we ardently hope will not occur—it is the Alliance's military authorities who have done the essential, and exceedingly complex, contingency planning for a possible NATO rescue operation.

I realise that a number of important questions have been raised about the involvement of the UN and NATO in former Yugoslavia, and the relationship between our two organisations: Are NATO's enforcement capabilities compatible with a peacekeeping mission? Is peacekeeping even possible in the midst of ongoing conflict? And should NATO risk placing its most precious asset—its credibility—in the hands of another organisation?

I know that in Canada, a country with a proud tradition of international peacekeeping, these questions have been subjects of parliamentary debate. In response, let me make several points:

First, by the time the international community turned to NATO, it was too late to attempt a military solution to the Yugoslav conflict. Instead, a diplomatic strategy was chosen; backed up by the pressure of trade and arms embargoes, the aim in the first instance has been the delivery of food and medical supplies to a beleaguered civilian population. Ultimately, however, our aim has been to contain the conflict and to bring the parties to realise that the only real solution is a negotiated one.

But there is no question that the Yugoslav crisis has been a learning experience for the international community in general, and for NATO in particular, and that we ought to be drawing the right lessons for our involvement in future such contingencies. The most important lesson is that NATO should be prepared to intervene at an earlier stage of a conflict, before the costs of overturning aggression have become unacceptably high. We must also avoid attempting to perform two obviously incompatible missions, peacekeeping and peace enforcement. We need clearer mandates for NATO's involvement. We need clearer divisions of labour between institutions. And if our military forces are expected to undertake complex and dangerous operations, they need a unified chain of command.

An old adage tells us that an ounce of prevention is worth a pound of cure. The final lesson of the former Yugoslavia is that we need preventive measures to obviate the requirement for peacekeeping and peace enforcement. Here, the Alliance is indeed making an important contribution: the Partnership for Peace.

This Partnership, launched a year ago, has made great strides in transforming security relations in Europe by putting former adversaries on an irreversible path of co-operation and ever-closer relations. Through it, we are developing common ideas and approaches for peacekeeping and humanitarian support operations. This will greatly increase the pool of trained and NATO-compatible assets which we may draw upon in future peacekeeping contingencies.

There is, however, more to Partnership for Peace than military exercises. As it develops, the Partnership will bind allies and partners in a close pattern of activity, covering a wide range of security-related matters. For instance, we will assist our partners in creating democratically organised and politically accountable ministries of defence and military establishments, which they did not have under communism. We also aim to introduce a planning and review process based on the force planning system that has played a major part in enhancing Alliance solidarity and underpinning NATO's integrated military structure.

Our efforts in building a new security order do not stop with Partnership for Peace. A year ago, NATO's heads of state and government pledged to open the Alliance's doors to new members as part of an evolutionary process. We have decided to initiate a process of examination inside the Alliance to determine how NATO will enlarge, the principles by which to guide this process and the implications of membership. Of course, the outcome of this study will be a matter for our 16 member countries to decide. There are nonetheless several principles which, in my view, need to be fulfilled:

- enlargement must enhance security and stability in the whole of Europe without drawing new dividing lines;
- it must strengthen and not dilute the Alliance, and ensure the security of its members;
- the costs of enlargement should be fairly and proportionately shared;
- enlargement should be an exercise in extending our community of shared values, not one of exclusion.

In our approach to enhancing stability in Europe, we have sought to constructively engage Russia in a way that acknowledges her weight in European security and her legitimate security interests. To date, this has taken two forms. First, Russia has joined the Partnership for Peace. Secondly, we have agreed to undertake with Russia an improved dialogue and co-operation in areas where she has unique and important contributions to make. Despite recent Russian hesitation and the serious setback in Chechnya, the Alliance's offer of closer practical co-operation remains on the table. It is up to Russia to make up her mind about the relationship she wants to have with NATO. But I am confident that Russia will realise—as we do ourselves—that there can be no stable European security architecture without Russian participation, and without a healthy Russia-NATO relationship.

Another challenge facing allies is the potential spread of weapons of mass destruction and their delivery means. Next month's renewal conference of the Nuclear Non-Proliferation Treaty will require a strong, concerted approach by supporters of the international non-proliferation regime if the Treaty is to be extended. Meanwhile, we have put the non-proliferation issue on the NATO agenda, and we are also examining how our defence capabilities within NATO can be improved and in what other ways we can support or influence international diplomatic efforts to block the spread of such weapons.

Finally, let me mention the Alliance's southern region. The Gulf War and, more recently, the conflict in former Yugoslavia, have made it absolutely clear that Europe faces instabilities to its south as well as to its east.

We cannot be indifferent to these challenges. The North Atlantic Council has therefore agreed to establish a direct dialogue, on a case-by-case basis, between the Alliance and Mediterranean non-member countries, with a view to contributing to the strengthening of regional stability and to achieve a better mutual understanding with the ambassadors of Israel, Egypt, Tunisia, Mauritania and Morocco. We must explore the possibilities for this dialogue.

I believe that the agenda of the "new NATO" makes clear that the Alliance continues to occupy the centre stage in European security—with new roles, new missions, and new partners. While there are many reasons for this successful transition, one in particular stands out—the enduring value of the transatlantic relationship. This relationship is not only the key to peace in Europe, it is the key to global stability in the years and decades to come.

At the risk of sounding like Cassandra, however, I must warn that our collective future will not be secure if there continues to be a seemingly endless string of cuts in Allied defence budgets. We are on the verge of cutting too close to the quick and of trying to do too much "on the cheap." Even our ability to perform the new range of peacekeeping missions will be compromised if we allow a degradation of defence capabilities. These, after all, remain the core function of this Alliance.

My friends, I am pleased to say that, as was the case half a century ago, Canada is present once again at the creation of a new order—this time a co-operative security order that has eluded us in the wider Europe until now.

Your experience in multilateral co-operation is even more required and more valuable today than in the past. This is what Canada brings to the "new NATO." And with co-operative security comes a consolidation of the democratic values that will enhance stability across the whole of Europe, to the greater benefit of our collective political, economic and security interests. Canada has much to gain from the success of these endeavours—that is, from a new NATO which is serving Canada's interests.

Thank you very much.

The appreciation of the meeting was expressed by Prof. Robert Spenser, President of Atlantic Council of Canada and Professor Emeritus History at Trinity College, University of Toronto and Herbert Phillipps Jr., President, The Canadian Club of Toronto.

The Hon. Roy MacLaren, Minister for International Trade and Peter Munk, Chairman and CEO, American Barrick Resources Corp.

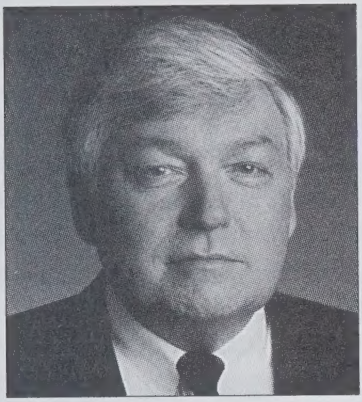
PART VII—SCIENCE

The science of electricity, the internal combustion engine, nuclear science and modern communication systems have, through pure and applied science, altered our world. Along with other changes of the last 200 years, these advances have created new lifestyles which, for the first time, have permitted generations of people to live who have little connection to the agricultural lifestyles of most human beings who have inhabited our earth down through the ages. My grandfather had a closer connection to the rhythms of nature as experienced by the Sumerians than I to him today.

The advance of science is driven by individuals with great minds and characters. Some have become household names: Kent, Volta, Ampere, Einstein, Diesel and Faraday. The sketches in this part celebrate some of the great scientific advances of our age to introduce people who have been part of these science-driven changes.

Wendy Leaney, Vice-President, Toronto Dominion Bank, The Hon. Floyd Laughren, Minister of Finance, Province of Ontario and Anne Creighton, Senior Consultant, SAMCI.

The Hon. Floyd Laughren, Minister of Finance, Province of Ontario, John A. Campion, President, The Empire Club of Canada, and Partner, Fasken Campbell Godfrey and Isabel Bassett, President, The Canadian Club of Toronto.



November 24, 1994

L. R. (Red) Wilson

Chairman, President and CEO, BCE Inc.

CANADA 2000—SYMPTOMS OF SUCCESS

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Margaret Scrivener, Former member of the Provincial Parliament for the Riding of St. David, member of the firm Martin & Meredith Limited Real Estate and Honorary Director, The Empire Club of Canada; Omar Kajouti, Grade 13 student, Danforth Collegiate and Technical Institute; The Rev. Charles Plaskett, Minster Emeritus, Timothy Eaton Memorial Church; Jean C. Monty, President and CEO, Northern Telecom Ltd.; C. Richard Sharpe, Chairman, Sears Canada Inc.; Peter D. R. Davies, British Consul General; Tom Wells, President, T.L.W. Consulting and a Director, The Empire Club of Canada; Ralph Barford, President, Valleydene Corp. Ltd.; Dr. Edward E. Stewart, Former Secretary of the Ontario Cabinet and Deputy Minister to the Premier; and Anthony S. Fell, Chairman and CEO, RBC Dominion Securities Inc.

Introduction by John Campion

Kant's Dilemma

At the dawn of the modern age in 1780, Emmanuel Kant had a problem. He was concerned less with science and more with God.

His metaphysical problem was defining a rational solution to the question of the duality of spirit and matter which had arisen in the interplay between philosophy, religion, literature and science.

In his critique of pure reason in 1781, and his metaphysical foundations of natural science in 1786, Kant addressed what he perceived the gulf between the purely materialistic world of scientists like Newton, which led inevitably to aethism and matters of religion and God. Kant wanted to bridge the gulf between the spirit and matter to harmonize the physical and the moral laws.

Kant solved his problem. As he saw it, the substance of reality was not space, time and material, but was represented by forces. He concluded electricity, magnetism and other observable phenomena were governed by the laws of attraction and repulsion within a unified theory of forces, all of which were convertible into one another.

Modern communications has a common connection with Emmanuel Kant. The progress of physical scientists, particularly in the emerging science of electrical physics, would not have proceeded with the speed and success that it did in the 19th and 20th century without this essentially metaphysical observation of Kant. Partly through the work of Davey, Faraday, Orsted, Volta and Ampere in electromagnetism, and the scientific and industrial revolutions which surrounded it, the world has restructured itself from a mainly agrarian society as late as 1800, through an industrial society during the century and a half that followed, to a knowledge-based society today.

The science of electricity and communications found themselves inextricably bound together in the 1840s with the development of the electromagnetic telegraph. Its impetus for development was war. Kaiser Willhelm of Prussia and Moltke, his Chief of General Staff, used this new communication technique to allow direct contact between headquarters and the advancing army. In this fashion, the army and their commanders kept an accurate check on large-scale strategic movements.

Together, with the development of rail transport, these two technologies allowed the brisk and decisive victories of the Prussians in 1866 and 1871.

At the same time, Alexander Graham Bell was beginning his work on the transfer of the human voice over the harmonic telegraph and thereby began the modern world of voice communication that has had such a major impact on our society.

The communications revolution which so affects us today is one of the pillars of our knowledge-based society. Kant was one of the essential forerunners of our brave new world.

Red Wilson is the Chairman, President and Chief Executive Officer of BCE Inc. BCE is the largest telecommunications company in Canada. Its principal telecommunications subsidiary is Bell Canada, having more than seven million business and residential customers, 9.5 million network access lines and some 58 per cent of the Canadian total.

Together with BCE's eight subsidiaries and affiliated telecommunications companies, it serves all or part of seven of Canada's 10 provinces and both territories, covering 70 per cent of the Canadian population. It is a major force in related and other business, including world class research and satellite technology.

Mr. Wilson was educated at Port Colborne High School and McMaster and Cornell Universities. He has been the Deputy Minister for Industry and Tourism in the government of Ontario, an executive involved in other industries, including the Bank of Nova Scotia and joined BCE in 1990. He is a director of a number of BCE companies and also Chrysler Canada Limited, Tate and Lyle PLC, Stelco Inc. and the CD Howe Institute. He is a governor of the Olympic Trust of Canada and McGill University. Please welcome Mr. Red Wilson.

Red Wilson

Mr. President, honoured guests—may I say how delighted I am to be with you today.

I was, for many years, a member of this Club, and a supporter of The Empire Club Foundation. Regrettably, I have not attended a Club event since moving to Montreal some four years ago. I am deeply honoured with the opportunity to address this luncheon today.

Canada's first francophone Prime Minister, Sir Wilfrid Laurier, said almost 100 years ago, "The twentieth century shall be the century of Canada." Most of us, these days, have our noses too close to the grindstone, or too close to the axe we are grinding, to take a moment to look back over the last 100 years and ask the question: "Was that just political rhetoric, or has the Laurier prophecy been fulfilled?"

Undoubtedly, Canada has undergone massive change. Most of it has been enormously positive, not only in standard of living and quality of life, but also in human justice and social peace. Unlike the countries of Europe and Asia, Canada itself has escaped the ravages of war and revolution. Unlike our friends in the United States, we have not had to bear the full brunt of the costs of world leadership, nor do we have cities whose inner cores have been abandoned and have become too dangerous for civilised activity. Moreover, we have been living together successfully amidst great cultural and ethnic diversity during a time of enormous change.

Nonetheless, we all know that we now face some tough challenges. We must bring our debt under control. We must downsize and refocus our governments to make them more effective and affordable. We must make major changes in our approach to collective public governance. We could benefit, too, from a more positive, more confident attitude about ourselves as Canadians.

Today, however, I don't want to dwell only on these challenges, or deliver another businessman's lecture on why we must overcome them. I want also to focus on some of the advantages—some of the good things Canada has going for it in the emerging new world—what I call "symptoms of success."

An awareness of these symptoms and advantages can make confronting the tough things easier and more worthwhile, because the payoff for Canadians can be so large. If we think only of the challenge, it is easy to resist fundamental change. Canadians today must continue to have a strong sense that this country remains the greatest place in the world, where dreams can be realised, and where even better times are ahead.

What I want to do today is discuss three main themes and explain why I believe they can and will mean better things for Canada as we enter the year 2000:

- First, the kind of world we are moving into;
- Second, Canada's prospects for succeeding in this world;

- And third, the values Canadians hold, and our vision for the future of our nation.

From Sir Wilfrid Laurier's perspective 100 years ago, Canada's problems and opportunities were largely within its own borders. Canada was still not fully settled and was in the very early stages of political, economic and social development. Since then, Canada has had a century of development which most of the world envies. Today, our problems and opportunities are largely related to how we face the forces of the new world beyond Canadian borders—global forces.

What are these forces? Well, we now live in a world in which protective walls—within countries, governments and individual businesses, as much as between them—are beginning to hurt those whom they were designed to protect. Walls or barriers no longer work because there are now too many countries able to access and use productive technology and capital, and too many strong companies able to compete virtually everywhere and in virtually everything.

The result is that suppliers and producers are no longer king. The new king is the consumer. It is hopeless for any nation, or any business, to resist this reality. Japan, as the ultimate producer-is-king society, might well have discovered this a lot sooner if it had not lived in a world in which U.S.-led global growth masked some basic structural flaws in Japan's economy. This allowed Japan to pile up unsustainable increases in its trade surpluses with other countries, and to continue its walled-in practices at home. The same also turned out to be true for even the strongest corporations like IBM and General Motors. And it is now turning out to be true for governments and for trade unions—in fact, it affects each and every one of us.

What does it mean to say the consumer has become dominant? It means that the ability of businesses or other institutions to provide value has become the crucial survival and success test. Put another way, it is value competitiveness, not just cost competitiveness, that is the issue. Dick Currie of Loblaws has characterised value as "not paying too much for quality."

More and more businesses are finding out that there is only one way to provide value. It is to address both cost and quality at every stage, from product or service conception to final delivery and service follow-up. This must be done not only within the company itself. It also requires working directly and often extensively, proactively and in depth with suppliers. Moreover, governments must now also be seen as suppliers, for whom it is equally crucial to realise value. There can be no sanctuaries from this value test.

Before asking how well fitted Canada is for the new world, I want to make three points:

First, there are two sides to what is happening. On the one hand, the shift to a consumer-dominant, wall-less world, alongside the huge expansion of the global economic order that is now under way, is an enormous challenge, and not everything we now do will survive. But what is happening is also an enormous opportunity. We need to see it as both, and then get on with doing what is needed to seize the opportunity. We also need to see that opportunity as one that can only be seized successfully if we are all involved. It cannot be made to happen simply by edict from the top of either government or business.

Second, Canada, with just short of 30 million people, does not have to have a very large share of what is going on in order to do extremely well. We need not be daunted by the scale of emerging markets or our inability to respond to everything that is happening. Rather, we need to be selective about what we go for, and we can also afford to be so.

Third, the new world means that more things can be done in more places than ever before. For Canada, this means that our historic economic advantages, like our natural resources, may be less advantageous in and of themselves. But, it also means that our historic disadvantages—such as our relatively small and dispersed market, or our distance from major markets—are less disadvantageous than they used to be. This change will only bother us if we are self-protective and backward-looking. It can be enormously stimulating and productive if we look forward with well-based confidence.

How fitted, then, is Canada for this new world? I think extremely well on many counts, but perhaps not so well on others. I want to touch on just a few of the reasons why I believe that, taking all our pluses and minuses into account, we stand a great chance to do very well in this new world. And if we start now, we will see thousands of symptoms of Canadian success by the year 2000!

Let me start with the negatives. We are not alone—many countries in continental Europe are a good deal worse—but we have allowed ourselves to become much too attached to government. This is true of all of us. It extends to business, who often want subsidies, special tax concessions, tariffs and protected franchises. We have relied on government well beyond its capacity to deliver. My sense is that more and more Canadians understand this. The challenge now is to restore government to its appropriate role in terms of effectiveness and affordability.

We tend to be fearful of losing something vital in the process of change. But if there was any need for proof that we must change, as Finance Minister Martin said recently, the issue has become purely mathematical. Total Canadian public sector debt today is in the order of 100 per cent of our national income. This means we must grow at least as fast as the rate of interest simply in order to stand still. If we grow less quickly, which is likely, we will steadily reduce our standard of living.

Do I wish we Canadians had not got so far into debt? Of course I do. Do I wish we were moving on that debt a lot faster than we are? Absolutely. Do I wish we in the business community had been more successful in keeping a focus on fundamentals over the last 15 years? You bet I do.

Nonetheless, many Canadian businesses and individual Canadians have begun to face up to the problems of our excesses over the past 25 years, and to the challenges of global competition. I submit that we have bottomed out and are beginning to come up the other side. And we are starting to do much better in real terms. What we have done in our personal and business lives and what we have done on inflation, I am confident we can and will now go on to do in our governments, including enhancing the unity of the country. I believe we will succeed.

And so, we are beginning to face up to the issues of debt, government and governance that confront us. I don't want to suggest that this will be easy, painless or without costs. Or that it will happen automatically. Or that it will happen at the same pace all across the nation. But I believe Canadians will do, or see done, what has to be done. Put another way, Canadians are not going to throw away the gains of more than a century because they won't pay their bills, or face the tough realities of the 1990s.

Moreover, those realities are still not as tough as those addressed in the last few years by other much less well-endowed countries like Mexico and Argentina. Nor are these realities remotely as tough as those successfully faced by Canadians in two World Wars and the Great Depression.

This is our biggest single challenge—our sudden and recent attachment to borrowing year after year to keep our consumption—mainly our consumption of government services and handouts—above our income. I don't quite know how we Canadians, as normally sensible people, bought into this. We know better, and for the most part, we act on this knowledge in our individual and business lives. But I believe that Canadians now accept that this simply cannot continue, although perhaps not yet with the needed sense of urgency.

So let me turn to the positives.

First, in the last 10 years, we have been steadily bringing down our internal and external walls. It has been painful but it has been reinvigorating. The FTA, NAFTA and GATT are the external examples. There has also been a lot of deregulation and removal of protective barriers inside Canada. This is just what living in the new world requires. Moreover, it is already working for us. Our 1993 merchandise trade surplus was the best since 1987 and more than two and a half times what it was in 1991.

Under the Free Trade Agreement, Canadian trade with the United States has increased by $900 million per week for the last 24 months. Our two-way trade with the United States is up 20 per cent in each of the past two years. The biggest gains came in those exports directly liberalised by the FTA—in other words, by the removal of protective walls. Our total merchandise trade with the U.S. is projected to reach $300 billion this year—a singular measure of success.

What is killing our current account is the amount of interest we are paying on money borrowed abroad to maintain public expenditures at levels well beyond our ability to pay.

Second, we now enjoy something pretty close to stable prices. The United States has not been able to do nearly as well. This is giving us an important ongoing competitive advantage, which we would be very well advised to preserve. West Germany for many years used its superior inflation performance within the European Community to help it achieve the highest standard of living in Europe.

Third, the combination of aggressive business restructuring in the wake of the economic downturn and the FTA, together with our cost performance, has given Canada a major improvement in its unit labour costs relative to those of the United States over the last four years, both before and after taking the lower Canadian dollar into account—about seven points lower before adjusting for the dollar and about 20 points lower after adjusting. This makes Canada very competitive—and we must be careful to maintain this superior cost performance. We are currently also better than Japan, Germany and the United Kingdom on an exchange-rate-adjusted basis.

Fourth, while our private sector and governments don't always work well together, we sometimes get it broadly right. For example, while there are many shortcomings in our current health-care system which must be dealt with if it is to continue to deliver value, many of these are already being addressed in at least some of the provinces. But overall, we have a system which is good both for us as individual users and for society. It also better meets both the cost and the competitive value test than its counterpart in the U.S. Given that health costs exceed 10 per cent of our national income, this is an important area in which to have an advantage.

Fifth, technology is also a fundamental building block. Canada is not big enough to support technology development on the scale of the United States, Japan or Germany. Nor do we need to, given the increasing accessibility and transferability of a very broad range of technologies. But Canadians are world-class in many fields, and this means not just hardware, but software and know-how and their effective human application.

If I may be permitted a brief commercial, Mr. President, telecommunications is a field in which Canada, by force of geography, inspiration and application, has excelled. Investments in people and in research and development are paying dividends. We are recognised as a world leader for the quality and the efficiency of the service we provide to Canadians.

It is not just the BCE family of companies—companies such as Bell Canada and Northern Telecom—which I proudly represent, but a Canadian commitment to excellence in telecommunications that has spawned the innovation and diversification represented by companies such as Newbridge, COREL, New Brunswick Tel, SR Telecom and many others in this exploding industry.

In our company, we are determined to make decisions and make investments which will continue to assure a leadership position for BCE domestically, and enable us to seize opportunities on a global scale.

That is why, here at home, we have launched the Beacon Initiative—a coast to coast "information highway" as historic as the building of our national railway more than a century ago. We will establish broadband capacity across Canada to move information and knowledge—the most prominent resources of the future economy.

We have also launched a new company—MediaLynx—to develop multimedia software and content for this information highway. This will provide opportunities for the creative talents of Canadians. We also envisage specific state-of-the-art services for better education and better health care—in short, the seeds for a better quality of life for Canadians.

We are expanding globally to take advantage of a more open and more competitive environment for telecommunications equipment and services. Our strategy is prudent but deliberate. We intend to continue to support Northern Telecom in developing new products and systems and new international markets. Northern's revenues this year will exceed Cdn $12 billion, and more than Cdn $10 billion will be generated outside Canada.

Bell Canada International, and Tele-Direct International, our white and yellow pages directory company, will continue investing abroad where they can leverage the technology and expertise developed here in Canada. By the end of 1994, these three companies will have invested more than Cdn $11 billion outside Canada. These activities sharpen our advantage at home. They make us a better competitor. More importantly, they ensure a prominent stake for Canada in one of, if not the most dynamic sectors for the next century.

I come, then, to the third theme in my remarks today. What values do Canadians hold? What are our hopes and dreams for our future and the future of our nation? I think it was Winston Churchill who described his wartime colleague and Leader of the British Labour Party, Clement Atlee, who defeated him in the 1945 election, as "a modest man with much to be modest about." While Canadians may have a reputation for being modest, we have every reason to take pride in our accomplishments.

There is nothing modest about Canada's success. While we may not always boast about it, we do believe we live in the best country in the world. But even though we may believe it, we find it a bit awkward, almost un-Canadian, to actually say it. Perhaps it is our colonial heritage or the experience of growing up alongside a boisterous, super-confident powerhouse south of our border. Psychologists would have a field day analysing the diffidence or hesitance of Canadians about ourselves. When the U.N. declared that Canada was "number one" in terms of quality of life, a typical reaction in Canada was "Isn't that a bit much?" It is even said that Canadians are reluctant to dream—except with the benefit of a federal-provincial grant!

But every successful country—like every successful company or individual—does have a dream or vision. Perhaps Canadians don't have the kinds of visions that imperial or messianic countries have. So what do we dream about?

Well, let me try my hand at expressing that. I believe we dream about a Canada where our children—and our children's children—will have the opportunities that we have had—opportunities to work, to raise a family, to contribute, to set goals and see them realised, to enjoy success, to achieve recognition, to be free. We dream about a society where duties and responsibilities are fulfilled and where a sense of community prevails. And we dream about leaving our family, our community, our nation better off than we found it. We dream about pride and achievement. I believe we dream about this land and this nation called Canada.

If the mythical genie came to us and offered Canadians just three wishes, what should they be? Perhaps we should pose this question to all Canadians—especially our young. We might be surprised by the responses.

I remember one of the homilies I read many years ago in the Reader's Digest to the effect that one must be careful what one wishes for because one might actually get it. Well, here are my three wishes for Canada:

First, help us to come to grips with the obvious dichotomy between our fundamental values and our behaviour. We must abandon the notion of entitlements and champion thrift, self-reliance and character.

Second, help us to celebrate success—to take pride in excellence and in our achievements.

And third, help us to champion Canada—a Canada with strong national institutions and regionally responsive and responsible governments.

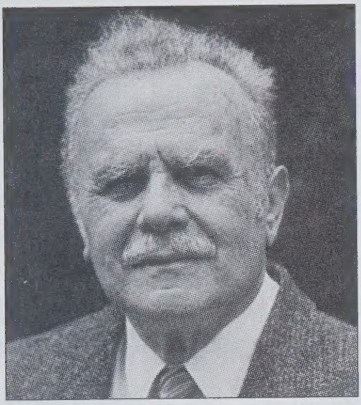
Above all, we need leadership. Leadership to deal with our fiscal and governmental baggage. A broad consensus to tackle this problem exists from coast to coast. I don't believe our governments can or will fail to act. Leadership to ensure that Canadians seize the opportunities of the 21st century. We are among the most fortunate and most envied nations on earth. We simply cannot and must not squander our heritage.

I submit that we have begun the journey back. Symptoms of success are evident—all across the nation and particularly among our young. But we must all continue to raise our expectations of ourselves and to shorten our time frames.

While the twentieth century may not have completely fulfilled Laurier's prophecy, our nation's progress has been remarkable. Now we stand at the gates of a new millennium. While some handicappers and bookmakers may be offering somewhat longer odds on our success in the next 100 years, I, for one, Mr. President, intend to continue to bet on Canada.

The appreciation of the meeting was expressed by Tom Wells, President, T.L.W. Consulting and a Director, The Empire Club of Canada.

Tom Wells, President, TLW Consulting and a Director, The Empire Club of Canada, Dr. Edward E. Stewart, former Secretary of the Ontario Cabinet and Deputy Minister to the Premier of Ontario and Catherine R. Charlton, Past President, The Empire Club of Canada and President, The Charlton Group.



January 19, 1995

Dr. Bertram Brockhouse

Professor Emeritus, McMaster University

NOBEL PRIZE WINNING WORK ON NEUTRONS

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Jan Dymond, Vice-President, ZED Communications and a Director, The Empire Club of Canada; Shannon McLaren, grade 13 student, Lawrence Park Collegiate Institute; The Rev. Edward Jackman, Historian, Archdiocese of Toronto; Doris Brockhouse; Barry Nichol, Chair, Board of Governors, McMaster University; Dr. Geraldine Kenney-Wallace, President and Vice-Chancellor, McMaster University; Julie Hannaford, Partner, Borden & Elliot and 2nd Vice-President, The Empire Club of Canada; Hamish Simpson, Headmaster, Upper Canada College Preparatory School; James Taylor, Chancellor, McMaster University; and Dr. Terry Rummery, President, Atomic Energy of Canada Ltd.

Introduction by John Campion

Einstein's Eclipse

The modern world began on May 29, 1919, when photographs of a solar eclipse, taken on the Island of Principe off West Africa and off Sobral in Brazil, confirmed the truth of a new theory of the universe. For half a century, Newtonian cosmology, based upon the straight line, Euclidean geometry and Gallileo's notion of absolute time, was in need of serious modification.

In 1905, Albert Einstein, then a 26-year-old working in a Swiss patent office in Bern, had published a paper: "On the Electrodynamics of Moving Bodies," which became known as the special theory of relativity. The originality of his thinking and the elegance of his lines of argument aroused world-wide interest. In 1907, Einstein published a demonstration that all mass has energy encapsulated in the equation $E=MC^2$. This was seen as the starting point for the race for atomic weapons and their peaceful application to the production of nuclear energy and nuclear medicine.

Einstein developed his general theory of relativity by 1915. His paper was smuggled out of Germany through The Netherlands and delivered to Professor Eddington at Cambridge at the height of World War I. Einstein had said that his theory had to be proved by three tests. The first, being the most important of these tests, involved photographing a solar eclipse to determine that a ray of light was bent by 1.745 seconds of arc as it grazed the sun.

Eddington led the expedition to West Africa, waited anxiously through a thunderstorm while the time for a total eclipse arrived and was able to take his photographs in May of 1919, which, after they were reviewed, confirmed that Einstein was right. No exercise in scientific verification has ever attracted so many world headlines.

Dr. Bertram Brockhouse was nine months old in May of 1919. He is the inheritor of the Einstein studies and theories. He has gone on to assume a Laureate position in the world of science. He is Canada's Nobel Prize Laureate for 1994.

The Nobel Prize was itself born in equivocation. It celebrates those who have made valuable contributions to the good of humanity in the fields of physics, chemistry, physiology or medicine, literature, economics and peace. The equivocation is that it was financed from profits made from the manufacture of, among other chemical products such as artificial rubber, leather, silk and precious stone, chemical explosives which were invented and manufactured by Alfred Nobel, a Swedish chemist and industrialist. These chemical explosives became dynamite, used for peace and war.

The Nobel Prize shares this equivocation with nuclear physics. Nuclear theory in physics represents a God-like power. We celebrate that power, but we as humans must revere and respect its awesome force.

It is to this area that Dr. Bertram Neville Brockhouse has applied his scientific life's work. He graduated with a Doctorate in Science from the University of Toronto in 1950. He was a lecturer at that university for one year before he joined the Department of Physics at Atomic Energy of Canada Limited in Chalk River, Ontario, where he remained for 12 years. In 1962, he joined the Department of Physics at McMaster University and became its Chairman in 1967. He is now a Professor Emeritus at McMaster University in Hamilton.

He has an extraordinary list of honours, ranging from 1962 to 1984. These include scientific as well as general public awards. He is a member of the Order of Canada and has an Honorary Doctorate of Science from the University of Waterloo and McMaster University.

Dr. Brockhouse was awarded a Nobel Prize in 1994 for the invention of the triple-axis neutron spectrometer which created a new field and made possible, for the first time, accurate and detailed information concerning the nature of condensed matter. His work has illumined the work of a host of other experimental and theoretical physicists in the field of solid state physics. It is with special pleasure that I ask you to rise, honour and welcome Dr. Brockhouse.

Bertram Brockhouse

Thank you very much. I will apologise at once for the voice that will squeak at you from time to time because I have a bit of asthma. I am especially glad to be a guest of this famous Club, which I rather think I've known all my life. I've known about it at a great distance, because I grew up in Vancouver.

I grew up in a world where we were moderately proud to be subjects of the Queen and the Empress, or (in those days) the King. We were proud, moderately, of the British Empire and of what it did in the world. I still think this is probably the case.

Now I am not going to read a speech; in fact I don't have a written speech fully prepared. But formerly you were not supposed to read speeches. If you were in some august assembly, such as a parliament, to read the speech was a little bit out of the way of how things were done. You were supposed to speak plainly, person to person. Now I am going to use the view graph as my guide to what I should be telling you.

The Nobel Prize award was, to me, totally unexpected. In your 76th year, you don't exactly expect such a thing to come about. On October 12 at 6:45 a.m., the life of my wife also showed a great change. Now, as the Chairman noted, Nobel prizes are awarded by the King of Sweden for physics, chemistry, literature, medicine and physiology. Also other prizes in honour of Alfred Nobel, facilities and money are contributed from other sources. The Peace Prize is awarded in Oslo by the King of Norway.

Now there is a lesson in Scandinavia for Canada in 1994 and 1995. In 1905, Norway, which had been part of a united kingdom with Sweden for something like 100 years, separated peacefully from Sweden. It was brought about by the rapid changes in the politics with which countries of that era were governed. The King was of great power at the beginning of the nineteenth century. Gradually, power shifted from the king and his aids to a parliament and its operators. So the stress that this change put on the united country of Sweden and Norway resulted in their separation in 1905. The Peace Prize was thenceforth awarded at the hands of the King of Norway.

Now before going on to other topics, I am going to show you a picture that was taken at Uppsala University. I think the Rector of Uppsala University and some of the Nobel laureates are shown—one of the two medical doctors who received the prizes for medicine and physiology, the person who shared the prize in physics with me and the person from California and Hungary who was awarded the prize in chemistry. These two gentlemen are two of the three awardees of the economics prize which was awarded for work in the theory of gains. *The Theory of Gains in Economic Behaviour* is a very famous book of 50 years or so ago, and their work followed it.

Now I won't say too much about my own subject here, because I think it is not that appropriate for the audience as I envisage it, but I will say a little. *The Neutron and its Application.* That is the title of a book, published in 1982, celebrating the fiftieth anniversary of the discovery of the neutron. The uses mentioned are military, medical and energy supply. There are also a lot of scientific uses, which are not as well known, perhaps, and bear just a little discussion.

The neutron is a nuclear particle. The theory is that it shares its place with the proton inside the nucleus of any atom. So it is naturally of interest as a projectile.

But that doesn't concern me here. What I am concerned with are what has come to be called neutron physics. One aspect is, trivially, the study of the neutron itself as an object. This little tiny thing has, as we think of it, a diameter of 10^{-15} of a metre. This little tiny object, according to quantum mechanics and according to all the work by which the neutron has been investigated, is simultaneously a particle and a wave. And this, of course, probably indicates that it is neither a particle nor a wave. That is how we see it with our three-dimensional minds and three-dimensional world in which we believe we live.

Beyond that there is the use of the neutron, or beams of neutrons, as a probe to investigate matter in its various forms. I'm specifically concerned with neutron spectroscopy, which enquires what happens to neutron velocity and energy when they are scattered. From this you get some idea of what is going on within the particular specimen which is being studied.

This is a second book called *Fifty Years of Neutrons Scattering*.

It is strange that I should've been picked out of retirement for this remarkable honour. Well, it gives one great pause. Quite incredible. If one were to believe in such things as fairies and fairy-land, then one might have some theory about it.

Now what happened was that long after the early fifties, up to '57 or '58, when the NRU reactor at Chalk River was commissioned, we started into the modern era of neutron scattering. Many papers were published each year. I had a book published in 1974.

I now have to decide what I'm going to talk about in the remaining few minutes. I don't know how much you are interested in hearing what neutrons do, but this is the kind of apparatus that would be used. This is a picture of the NRX reactor, the one that I used in about 1950. It was a large heavy apparatus, in order to shield against emissions of neutrons and gamma rays and so on.

And this is a picture of the apparatus that was mentioned by the President in his introduction, the constant-Q apparatus. This would be from 1958—one of the first, I think, uses of the computer in controlling pieces of equipment. The computer at that time of course was a vacuum tube apparatus with, by your current standards, ridiculously small capabilities. It emitted enormous amounts of heat and filled a large room. But it would provide numbers, which could then be set on a large bank of switches, to control the operation of the reactor, and of the spectrometer, in using the beam of neutrons which came from behind the shielding. It was used in studying various crystals and so on. Although it had ridiculously small capabilities compared with the computer that probably sits on many of your desks, it was nevertheless enormously capable compared with sitting at a desk oneself with a hand calculator and putting out reams of numbers in some complicated calculation.

Now at this point, we'll just see for a moment what can be done from spectroscopy. We are limited to observing things that go on in this three-dimensional world. The three-dimensional world, which is three-dimensional probably because our minds construct it that way, creates great difficulty in getting directly at the terms of the theories, particularly those in physics. And in the physics of solids there are similar terms. There is the velocity of high-frequency sound, an analogy to the velocity of light. There is a velocity for propagation of what we could term sound if it were low frequency, but frequencies of 100,000,000 times or so the frequencies of ordinary sound are propagating through the crystals, according to the theory. They propagate through other solids as well, but they are more difficult to get at. Just as we have protons and neutrons, we have things that have been named phonons and magnons and rotons. These are quasi particles which exist only in a particular universe of discourse, which is that specimen material. The specimen material may be aluminum, copper, sodium chloride or whatever, up to all the manifold chemical combinations that one can generate of the atomic elements.

So neutron spectroscopy enables one to get at these things directly and "see" (metaphorically of course) protons, neutrons, nuclei and atoms. We can get the forces between atoms, to an extent. We get a handle on what the actual forces are between the sodium and the chlorine, and the sodium and the sodium, and so on, in a crystal of common salt.

We have several other things. Of interest are correlation functions—a kind of moving picture of what the atoms are doing made by a sufficiently large set of measurements on the figure specimen. Thousands of scientists around the world use the technique in studying all sorts of things now, including bilateral objects and certain technological objects from an applied point of view.

I would conclude by saying a word about this Grand Atlas. This enormous scientific catalogue of scientific results can be conceived as analogous to ordinary geography. You have geography, geology, and the recipes of physics and chemistry. From these experiments you get a metaphorical geography, just as morals. People have thought of moral geography in history. The Grand Atlas is the analogue of an ordinary atlas, but of an enormous scope.

One of the chief results of experiments such as those which my colleagues and myself have done over the years and which are now conducted by a large number of people is confidence. Because you're getting at the very roots, the guts of the theories that you used in conceptualising and talking. We talk about atoms, don't we? We talk about the electrons, the holes and the electrons in semi-conductors, and all these things. If you have experimental methods, you get at the very things themselves and do not have to rely on enormous calculations from a theoretical base for whatever you observe in real life or in the laboratory. So it's this confidence which is one of the chief products.

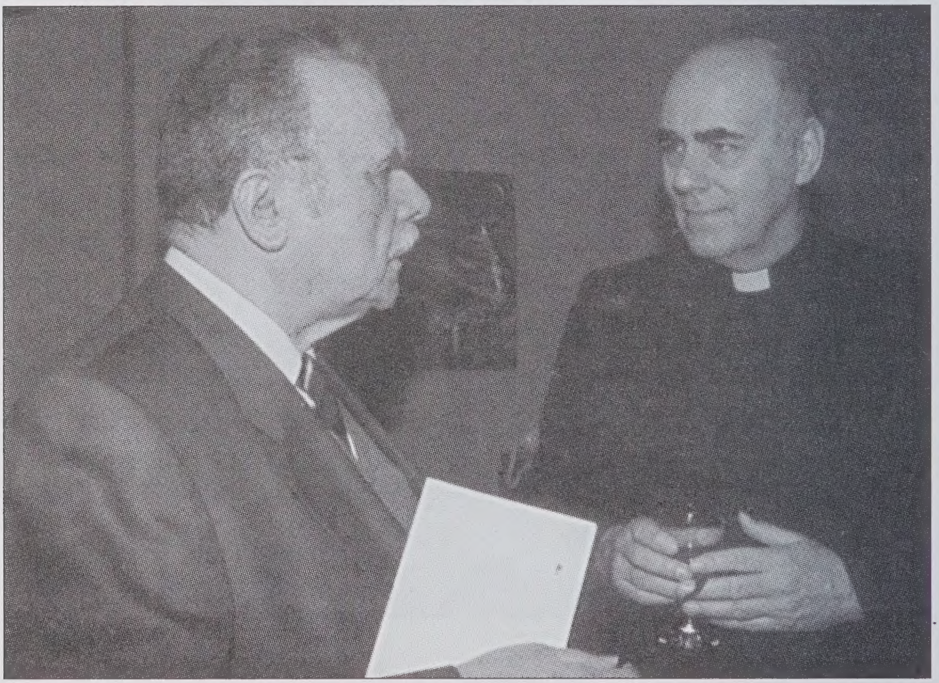
The other product, of course, is the language itself. You produce the language with which the inventor or the lay people apply science in any way. You produce the language which they use in conceptualising what they are doing, and what they are trying to do. Now I haven't got time to develop this notion (which is one of my interests), but one last point is that very often, there is the possibility of scientific results as by-products of endeavours which have other objects in view. Actually, for many of the people in this field that I have been talking about, the results were a by-product. NRX and NRU were not built to do this work. NRX and NRU were built, I take it, to develop the techniques and the apparatus for getting nuclear electrical power. There are reactors in the world dedicated to my objects of research. But I won't go into that.

I think I have said what I had to say. I have had to cut a bit, as you observed. Thank you.

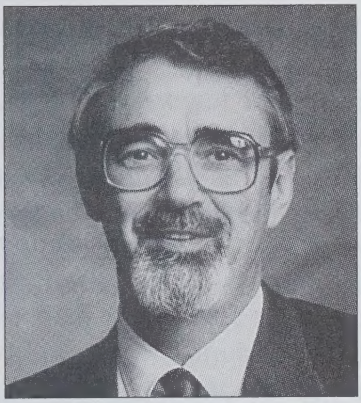
The appreciation of the meeting was expressed by Julie Hannaford, Partner, Borden & Elliot and 2nd Vice-President, The Empire Club of Canada.

Mark Soric, Thobey Campion, John Campion, President, The Empire Club of Canada, Torsten Siegelberg, Dr. Brockhouse, Sean Cheah, Sean McDonagh, Gerald Griffiths, Arun Bahl, Clement Sung, Sagar Chandaria and Mr. H. W. Sommerfeld, Form Master, Upper Canada College.

Dr. Geraldine Kenny-Wallace, President and Vice Chancellor, McMaster University and Mrs. Bertram Brockhouse.



Dr. Bertram Brockhouse, Nobel Prize Laureate and The Rev. Edward Jackman, Historian, Archdiocese of Toronto.



May 27, 1994

Percy Barnevik

President and CEO, Asea Brown Boveri Ltd., Zurich, Switzerland

ORGANIZING FOR GLOBAL GROWTH

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Bill Laidlaw, Director, Government Relations, Glaxo Canada Ltd., and a Director, The Empire Club of Canada; The Rev. Kim Beard, Rector, St. Bede and St. Chrispin Anglican Churches; Ken McCready, President and CEO, TransAlta Corporation; Diane Francis, Editor, The Financial Post; Spencer Lanthier, Chairman and CEO, KPMG Peat Marwick Thorne; Peter Janson, President and CEO, ABB Asea Brown Boveri Ltd. (Canada); Julie K. Hannaford, Partner, Borden & Elliot, 1st Vice-President and President-Elect, The Empire Club of Canada; Dezo Horvath, Dean, Faculty of Administration Studies, York University; Arthur Sawchuck, President and CEO, Dupont Canada Inc.; Klaus Kuebel, President and CEO, Credit Suisse Canada; and Alanna Quinn, Managing Partner, Corporate Strategic Planning, Ontario Hydro.

Introduction by John Campion
Frankenstein's Jolt

On May 27, 1812, while Napoleon Bonaparte was in Paris planning his disastrous campaign into Russia, there was a gigantic firedamp explosion at Felling Pitt near Sunderland, England. The accident produced a sensation throughout Britain.

Firedamp deaths caused by open oil lamps used by miners, igniting inflammable, underground gases, were common enough, but this catastrophe caused 92 men and boys to lose their lives in a horrible accident that galvanized the population of Britain.

Coal production in that country was by far the largest mining industry in the world and produced the energy to power the first phase of the Industrial Revolution which itself led to the spread of steam engines around the world. Was this accident the fearsome break that was to strangle the basis of the whole industrial age? It was not to be.

The pitiful human tragedy, fired by a powerful sermon over the massed coffins to a tearful congregation, led to a world-wide offer of premiums by colliery owners for anyone who could invent a safety lamp.

The resulting cry for help found its way to Humphrey Davey, the Director of the Royal Institute in London. Davey had two young assistants: the first was Jack Lambton, "Radical Jack" as he was known, later to become The Earl of Durham, one of the architects of modern Canada; the second was a poorly educated but gifted, dure, rigorous and thorough young man, Michael Faraday.

It was Faraday who was granted his freedom to pursue science through work on the coal lamp. It was Faraday who became the world's most effective pioneer in the emerging science of electrical physics. It was that explosion 182 years ago today which released to the scientific world the man who, with others of his age, would pursue the science of electromagnetism and who, in 1821, designed and manufactured the first dynamo.

Faraday and his world could generate power. Faraday did his work with others of his age; those included Dare Orsted, the Dane who was able to describe electromagnetism. It included Wallastein whose sister Mary, inspired as a young girl by the poet Shelley, wrote "Frankenstein," a creature reborn by electricity. It involved André Marie Ampere, the French authority on electricity and Volta who discovered that the source of electrical power arose from the contact between two metals.

It was these men and woman of philosophy, science, letters and industry that formed the basis of electricity science.

Mr. Barnevik has drawn his inspiration from his beginnings in small town Sweden, his education in the ancient, beautiful, industrial City of Gothenburg on Sweden's west coast and his managerial leadership in Sweden, the United States and Switzerland.

Mr. Barnevik has helped create and stimulate to success an enterprise that is pre-eminent in applied electrical technologies, starting with a $2 billion enterprise in 1980 having $34 billion in sales in 65 businesses through 100 companies and 1,300 legal entities employing 220,000 people. Mr. Barnevik has a reputation for revolutionary leadership in corporate enterprise in the dynamic universe of business. He was Europe's manager of the year in 1991 and voted international executive of the year by the Fellows of the Academy of International Business in 1992. He is Chairman of Sandvik and Scanska and Director of DuPont and Investor Limited, a holding company for the Wallenberg Group. Please welcome Mr. Barnevik.

Percy Barnevik

Your Excellencies, ladies and gentlemen, it has been 10 years since I gave a public speech in Canada, so it is a special honour for me to be invited to this historic club to speak today.

Some of the points I will touch on today will include globalisation, business organisation, and recent events in Western and Eastern Europe, Asia and the Americas. I will comment on how Asea Brown Boveri and other successful companies have organised themselves for global growth and competitiveness. As well, I will review highlights of ABB's global matrix, decentralization and the development of its international managers.

World trade has grown much faster than world production, particularly throughout the past decade. The fastest growing trade areas are within Europe, within Asia/Pacific, within North America and, to a lesser extent, among these trading areas.

I am not very optimistic about the impact that the GATT agreement, announced amid much drama late last year, will have on the speed or development of trade. The reason for my pessimism is the imbalances in trade between the members: Japan, United States, Europe and Asia. The results of these imbalances are trade restrictions and the so-called 'voluntary' export restraints, a humorous name for one of the most involuntary things I know. In the beginning, America was the leading 'protector.' Now Europe is resorting to many quotas and invisible trade barriers.

Some seven or eight years ago, Europe was in a Eurosclerosis debate, feeling lost and overwhelmed by consumer products from Japan. European businesses were talking about after-industry development and all types of wishful dreams. Then they were injected with the ambition to create an open Europe with what are called the four freedoms: labour, capital, goods, and services. Now, in spite of all the political hassles, discussions and debates about Maastricht that you may have read about, there has been a lot of progress in Europe toward economic integration. The public sector has historically been a protected market worth $600 billion. Only two per cent of the $600 billion was open to international public bidding. Now things are rapidly changing.

Let me use an example from the locomotive industry. Currently, there are 37 locomotive factories in Europe, against two in the United States and three in Japan. With high manufacturing costs, it is not cost-effective to have production happening simultaneously in so many small workshops in so many countries. The result is that, at the end of the day, half or maybe three quarters of the manufacturing facilities will be gone and, by combining these production efforts, locomotives will be built at half the cost. Other changes on the way within Europe include the downsizing of overblown railway authorities, and standardization within the electric energy production, telecommunications and utility fields. These changes will result in fewer manufacturers and fewer people needed to make the goods—although there will be more goods and Europe will become more competitive. The winners will be those who adapt quickly to the new situation, those who work with Eastern Europe. The losers will be those businesses that cling to protective measures and continue to ask for government support.

The opening of Eastern Europe, beginning in 1989 with the elimination of the Iron Curtain, doubled the size of the European trading region to create a consumer base of more than 800 million people. The people of the Soviet Union and Europe thought the elimination of communism would mean a dramatic increase in their standard of living, but it will take some time, a few decades, for these countries to catch up to the Western World.

The question may be: What business would dare to move into the former Comecon countries, with their economic and political chaos? My position is that there is tremendous opportunity for visionary companies willing to enter the fray. Electrical production is just one such area of opportunity. There exists enormous waste and inefficiency in the generation, transmission, distribution and usage of electric power. To revamp this huge, wasteful and polluting system would be a gigantic undertaking. However, it must be done if these countries are to become competitive and to develop a decent living environment. It is a great opportunity for companies in the electrical engineering field.

In contrast to many under-developed countries, the population is very well educated. I used to say to the Russians that though they do have raw materials and energy, their best asset is their people. The former Comecon countries have a quarter of the world's engineers, one million PhDs and a well-trained work force. I would say that in spite of the political chaos, they are ahead of the Western World in certain niches of the defense industry sector.

To date, the West has done almost nothing to help Eastern Europe. Financial support, credits, aid, and soft credit have been very marginal. You may read about pledges of support on the order of five and 10 billion dollars, but the fact of the matter is that at the end of the day

Eastern Europe has taken delivery of only a small fraction of these pledges. Though we cannot immediately lift Russia and Eastern Europe into integration with the rest of the world, we can at least trade with them. The problem is that we block them. With the recession in Western Europe, we put quotas or high tariffs or other non-tariff barriers on almost everything Russia and Eastern Europe can export, including agriculture, textiles, steel, aluminum, and cement. Thus, all of their major exports are blocked.

It is a rather sad story because in order to import computers, telecommunications and that type of thing, these countries must, of course, export. But the vested interests in the West, the unions, the management, the countries, have loud lobby groups who effectively block them out of trade. Trade is growing, but at a very slow pace. That pace must be increased. As the prime minister of the Czech Republic, Mr. Course, said: "We need trade, not aid."

Direct investment by Western companies will play an important role in creating, from the bottom up, a modern economy. To my mind, one of the great tragedies of our century is the lack of leadership in the post-communist era. The communist regimes that suppressed people so badly have disappeared and the people left behind are unable to cope. And we lack the leadership in the West to address these issues.

Leaving the macro perspective I will focus on my own company and what we tried to do. In 1988, we concluded that we should allocate certain parts of ABB to the different countries of Eastern Europe so that the Austrians, for example, could take care of Hungary, Sweden could take care of Poland, West Germany, East Germany, etc. I made a map and was told that I should redo it because it looked too much like Field Marshal Moltkes' military plans before the First World War. So, I revised the map to look more friendly, with arrows in both directions. As a result, even before the Wall came down, we built up a business of about 10,000 people in Poland, down to about 7,000 to 8,000 now, in 10 companies. We went from $50 million to some $3,000 million in sales in 1993, and I think in a few years we should be up to some $700 million in sales. Thirty per cent of that total is exported goods and services.

Don't make the mistake of believing that Eastern European countries cannot produce high quality goods. In Poland, we make gas turbines, one of the most complex machines you can make, and we export them to the United States and other countries. The experience we had in Poland was that business arrangements took a long time to negotiate and involved some external difficulties including inflation, hyper-inflation, lack of domestic demand, and so on.

But there was also a tremendous speed in restructuring. These people want change. They see a chance to move forward, to really get out and make a better life for their children. It is stunning to see how they can lift productivity and quality within two or three years. The Polish people have a very strong spirit and co-operated fully with our criteria that all management or special-assignment staff speak English. We sent a number of English teachers and found the people highly motivated, studying English on Saturdays and Sundays.

I will never forget when I came to Southern Poland for the first time and the union leaders came to me and said: "We have one demand, Mr. Barnevik, and that is that we can buy shares in the company." They had been under a communist regime for 45 years. They didn't ask for guarantees, they didn't ask for a raise, they asked for shares because they believed in the company. I found this very inspiring.

Clearly, it is possible to create islands that work well, even amid chaos. You may ask why anyone would buy a company in the Ukraine, a country that is now falling to pieces with 10,000 per cent inflation. We do it by safeguarding supplies and safeguarding sales, with the result being a low-cost, high-quality production facility inside a totally chaotic environment. It is not problem-free, but overall we are making money today in Eastern Europe. I do not have to excuse myself to shareholders. Sometimes I get the question: “Are you investing with your heart or your head?” While my heart is emboldened by the strength of these emerging nations, I invest with my head, and I must invest because it is a good economic proposition.

The winds of change in the areas of industry, quality, and time-based management are coming to Eastern Europe. Though North America is five to seven years ahead of Europe in these areas, there remains the threat that, with some 60 million workers in Eastern Europe versus 40 million workers in the West, and a wage difference by a factor of 10 or 20, when these people achieve an adequate level of quality and productivity they will be positioned to be tremendously competitive.

My own company, for example, has 22 plants in Eastern and Western Europe making turbines and generators. As you can imagine, we don’t need 22 plants. It’s like having a plant in New Jersey, Toronto, Ottawa, here, there, and everywhere. It’s crazy. But as the move from west to east continues, there will be fewer plants left in the West to do certain things and some plants in the East doing other things. Eventually all Europe will run as one market. People who sit back and cling to the old traditions are going to lose out.

That was a little about Europe. Now, a few words about the Asia/Pacific Rim. I will speak first about China, having recently spent a week there and it being fresh in my mind.

Within the huge expanse of China you confront all types of views, from the very pessimistic to the extremely enthusiastic. China has a fifteen-year track record of nine per cent average annual growth in GNP. They have doubled their electrical generation capacity in seven years. One measurement of their increased standard of living is that seven to eight per cent of all urban households now have refrigerators. Trade has grown a lot. At long last, China is once again a major factor in world trade patterns. Tremendous growth is forecast for all China's base industries: mining, steel, pulp and paper, and building materials. Already, China is the biggest steel producer in the world, surpassing Japan in the first quarter of this year.

Although they have progressed significantly, they have a tremendous way to go. In the area of electricity, China must build as much production capacity for electricity within the next 30 to 35 years as half of what the whole world has built in 100 years. China is the place to be if you want to participate in the infrastructure industry. It doesn't make much sense to sit around in Europe or the United States, fighting for the few jobs available, when you have this gigantic market evolving.

China moves 75 per cent of all goods by rail. And they have a tremendous need to modernize their railway system. China needs 1,000 locomotives per year for the next 20 years. There are 10 cities with more than two or three million people who need metros.

Still not convinced? Look to Hong Kong for an example of China's tremendous growth potential. The five to six million Chinese living on that rocky island went from insignificance to being the world's eighth-largest exporter in 35 years. They had, with all due respect to the U.K. and China, two sick parents in the seventies, who didn't give them much support. They succeeded without support and without raw materials. Despite the political turbulence, I predict there are some 50 Hong Kongs waiting to be realized by the 1.2 billion people of China.

ABB is in China with 11 joint ventures and nine engineering centres all over the country. The biggest problems I foresee for growth in the Pacific Rim are our lack of knowledge regarding the Chinese language and what is perceived by Westerners as an exotic business culture. There is a certain anxiety that if we export technology from Europe and America, Pacific Rim countries may come back and overwhelm us economically with applications later on. But quite simply, if you want to be a world player, you have to be an insider in the Pacific Rim, no matter how difficult that goal is to achieve.

A few words about ABB. Our organisation started in this industry about 100 years ago as Asea and BBC and grew from a Scandinavian base to become one of the global players. In 1988 we merged organisations in Scandinavia and continental Europe to create ABB. At the time, the industry was a little like a ketchup bottle: it had been pretty frozen in structure for many years, particularly in Europe. But like a ketchup bottle, everything finally comes out. In Europe, practically all medium-size electrical engineering companies were bought up by ABB, or by our competitors, in a period of rapid acquisitions. To the 160,000 original employees, we added another 120,000 people; 30,000 were through acquisitions in North America. We went on to lose some 70,000 people due to streamlining and plant mergers. We now have three regions, after a rather hectic six years of restructuring: Europe, the Americas, and Asia. Of the segments in which we now work, about half of the business is power, one-third is industry-building systems, automation, robotics, and so on. About 10 per cent of our business is transportation including high-speed trains, with the remainder representing local activities and financial services.

Normally you associate a global company with a particular country. For example, Mitsubishi is Japanese, General Electric is American, Siemens is German and so on. We, however, have many homes. Though I may sit in a small office in our headquarters in Switzerland with 100 other professionals, our power and our people are really at home around the world.

I had an interesting experience in France when I tried to convince the prime minister that we really were a French company. He thought I was an American because of my poor French. Since he was once the Minister of Agriculture, he began to complain about American agriculture. I came to the defense of America and said they have fewer subsidies than France and the Common Market. I then declared: "I am really living in Zurich, Switzerland." Then he said: "You are the worst of all in agriculture. The highest per-capita subsidies and the highest food costs in the world." He was right. However, I defended the Swiss Alps, the tourist industry and the country's farming tradition. He continued his complaints. As my final defense I said, "I'm really a Swedish citizen." He paused and said, "You have nothing to be proud of with regard to agriculture." He then asked, "How many countries do you call home?" I answered, "Twenty-two. And I defend them all."

We have organised ourselves in a matrix in which we have 50 global business areas. One man sitting in America is responsible for boilers worldwide, one in Southeast America is responsible for metres, and there is a person responsible for transformers working in Germany. Each such person at each location makes the charters for all ABB companies that are involved in the production of their respective products. These charters involve who should make what, export what, develop what, so we get the advantages of size and economies of scale, globally. At the same time there is a country manager. For example, a country manager in Canada has from 15 to 20 units under him. He has line responsibility and runs the business here, but only within the charters that have been assigned to him by the global managers. The result is 5,000 profit centres worldwide, each with a balance sheet.

To avoid the negative qualities inherent in any big organisation, we created many small companies inside ABB to encourage productivity, entrepreneurship and efficiency. For example, transmission and distribution represent some five to six billion dollars in revenues for ABB. With 750 profit centres, each centre averages about $8 million in revenues and employs 42 people. We try to have it both ways, so to speak, with small units within a global structure.

We also employ a flat organisational structure. There are only two to three layers between the top and the lowest level of management. The potentially negative effects of this structure are a very broad span of people and fewer promotion possibilities upward. But I believe these potential problems are more than made up for by strong communications within the corporation. I have seen too many messages lost in the bureaucracy of a traditional hierarchy. When you set out to change an organisation you have to have good communication to ensure everyone is with you.

Our headquarters staff has been reduced to a minimum. Whereas we used to have 1,600 people in Germany, we now have 100. Switzerland went from 4,000 people to 200. Whenever possible the people have been moved out to service units. The issue is not only cost. Head office staff typically ask for reports, and field people, who need to be running the manufacturing and selling activities, get distracted with a lot of non-essential reporting activities.

Perhaps the most important factors in the success of a global enterprise are the identification and cultivation of global managers. A global manager does not simply sit upon an established empire. He has to gain respect and be seen with integrity and competence. He has to be fluent in English and speak, ideally, one other language. Such managers must have flexible minds, be adaptable, not be turf people, and they must accept the fact that there are two ways to do things. They must not be competitive, but supportive. The country manager supports his companies and the global manager helps out in the global dimension with expertise and quality purchasing.

We believe ABB's organisational structure is ideal for taking advantage of emerging opportunities around the world. Our matrix management structure allows us to achieve global co-ordination while responding to, and taking advantage of, local requirements. As international regulatory and political barriers disappear, this approach will provide us with an increasingly important strategic advantage.

Finally, let me reiterate a few key points from my previous remarks. The emerging economies of Eastern Europe and Asia, combined with increasing levels of regulatory harmonisation, present significant opportunities for Western business. To realize the full potential of these opportunities, today and in the future, corporations must re-align themselves to facilitate both global co-ordination and local-market management. Such a new corporation will be led by global managers whose skill and vision transcend national and political boundaries. To continue to plan and to act as a largely domestic, or even simply as a multinational company, is to take a very near-sighted view of the world economy. The opportunities are great, and they are here today.

Thank you.

The appreciation of the meeting was expressed by Bill Laidlaw, Director, Government Relations, Glaxo Canada Ltd.

Percy Barnevik, President and CEO, Asea Brown Boveri Ltd., Zurich, Switzerland, and Alanna Quinn, Managing Partner, Corporate Strategic Planning, Ontario Hydro.

John A. Campion, President, The Empire Club of Canada, and Partner, Fasken Campbell Godfrey, Percy Barnevik, President and CEO, Asea Brown Boveri Ltd., Zurich, Switzerland and Diane Francis, Editor, The Financial Post.

December 8, 1994

Eric Newell

President and CEO, Syncrude Canada Ltd.

CANADA'S OIL SANDS: IT'S TIME TO AWAKEN THE SLEEPING GIANT

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Gareth Seltzer, Vice-President, Private Banking, Guardian Capital Advisors and a Director, The Empire Club of Canada; Antoine Waithe, Grade 12 student, Jarvis Collegiate Institute; Daniel J. Cacchio, Senior Vice-President, Finance and Administration, Imperial Oil Ltd.; Donald J. Steadman, Partner, Fasken Campbell Godfrey; Dr. Erdal Yildrim, Chairman, Oil Sands Strategy Task Force and Manager of New Ventures, Canadian Occidental Petroleum Ltd.; Alex Squires, Oil and Gas Consultant, Loewen, Ondaatje McCutcheon and a Director, The Empire Club of Canada; The Rev. Charles Plaskett, Minister Emeritus, Timothy Eaton Church; Donald Johnson, Vice-President, Nesbitt Burns; and Susan Murray, President, SAMCI.

Introduction by John Campion

Rudolph Diesel Pitches a Tent in Libya

Events which took place in or by 1859 and Colonel Muhammed Ghadaffy of Libya have a profound effect upon our society's industrial capacity.

Let me first deal with 1859. By that year, the science of electricity had proceeded at a remarkable pace under the direction and efforts of Faraday, Volta and Ampere and others and was in full development. The fundamentals of artificial fertilizer had been discovered by Liebig. Coal was the main source of energy for and steam power the main tool of the Industrial Revolution which by that time had been in full swing for almost 100 years.

But in that year of 1859, Rudolph Diesel, the German automotive engineer was born and at Titusville, Pennsylvania, the first oil well was drilled. By 1885, Carl Benz had built a single-cylinder engine for a motor car and by 1890, Diesel had patented his internal combustion engine. The fundamentals for the ascendancy of oil as the black gold energy powering the 20th century were in place.

Let me turn to Mr. Ghadaffy. The great post-World War II economic boom was propelled by cheap energy. Between 1951 and 1972, the price of fuel declined consistently against the price of manufactured goods. All of this was made possible by Middle-Eastern oil. The three leading sectors of Western economic development were motors, chemicals and electricity.

The West and Japan were more and more dependent upon oil from the Middle East to energize these sectors. Many Middle-Eastern leaders recognized the increasing dependency of the West and Japan upon Middle-Eastern oil but it took the death of the then-Arab leader Nasser on September 28, 1970 and the rise to power of Mohammed Ghadaffy to tilt the balance.

Ghadaffy not only stressed the importance of oil as a weapon to be used against what he called Western Imperialism for its support of Israel, but he also provided the emotion and passion behind the argument where logic had previously failed to prevail.

The resulting oil price revolution was described by Henry Kissinger as one of the pivotal events in the history of this century. It caused:

(a) 25 million unemployed in America and West Europe;

(b) the banking sector in the world to come under severe strain;

(c) OPEC countries took $80 billion per year out of the world economy;

(d) acute debt problems for countries around the world, including our own;

(e) the decline of American economic pre-dominance.

All of these devastating factors for the West were caused by a 70 per cent increase in price on October 16, 1973 and a 128 per cent increase in price on December 23, 1973.

These price increases had a direct impact upon Canada and its oil resources. In our country, producing conventional oil had started in and around 1917 from Turner Valley, Alberta and Southwestern Ontario. Spectacular discoveries of oil were made at Leduc in 1947 and Redwater in 1948. In the 1970s, the country turned, in part, to the Canadian Oil Sands.

Mr. Newell was appointed Chairman of the Syncrude Board of Directors on May 18, 1994. He has been President and Chief Executive Officer of that company since August, 1989.

Mr. Newell has an extraordinary list of achievements in business and in the community. He is a major advocate of business and educational partnerships and has implemented innovative, continued learning initiatives within his company.

Mr. Newell has a Master of Science degree in Management Studies from the University of Birmingham in England and a Bachelor of Science of Chemical Engineering from the University of British Columbia. He resides in Fort McMurray with his wife Cathy and their three children. Please welcome Mr. Newell.

Eric Newall

It is a pleasure and an honour to be with you today and to have the opportunity to address this distinguished club. I am very much aware of The Empire Club's record of bringing light to the public discussion of important issues and policies of the time. For that reason, I hope my message today about Canada's energy future will be both interesting and stimulating.

It's been my experience that luncheon speakers come in a variety of political and economic persuasions. In one respect, however, they are remarkably consistent: they tend either to "point with pride" or to "view with concern." I'm afraid my remarks fall into the latter category.

In that regard, I can think of no subject more critical to our economic health as a nation or our material prosperity as a people than that which I plan to address today. It is a subject which could help ease the burden of debt which overhangs us, strengthen the economic growth just getting underway, and perhaps provide a better future for all of us and our children.

What is this panacea? It lies in the potential of Canada's oil sands. To me, it is a subject that simultaneously provokes concern, fear and hope.

My concern is that for the last 20 years, production of domestic light conventional crude oil has been declining. My fear is that if this trend continues unarrested, then our nation will lie twisting in the wind, at the mercy of Middle Eastern oil merchants, before this century ends. My hope is that we take advantage of the tremendous opportunity for prosperity and wealth creation that is possible if we can summon the will to unlock the potential of the oil sands. It's time to awaken the sleeping giant.

If all that sounds like an impossible dream, then imagine picking up a business magazine and reading of an industry that in just three decades had seen $20 billion of investment. Imagine an industry which had a production and distribution network spanning a large continent. And finally imagine one which had been profitable from the word "go" and whose economic impact touches communities from coast to coast.

Now, let's move into the realm of reality, because that is no flight of fancy. That is precisely what Canadians have achieved over the past 30 years with the development of the oil sands.

Looked at in total, the growth of this industry is an enormous accomplishment. But what we have achieved in little more than a single generation pales in comparison to what is attainable in the next 30 years. From being what some considered an improbable—if not impossible—feat, tapping the oil sands has become one of the world's best-kept secrets and one of Canada's greatest success stories. And while Canadians express a collective concern for this country's future, the oil sands remain a success we can all share and celebrate.

Yet the industry remains dogged by the myth that it is an expensive research experiment, despite years of profitability, technological achievements, contributions to society, and an ever-increasing impact on Canadian oil production.

Now, I would not be too surprised to find that many of you remain sceptical about the oil sands. I would, too, if I were in your shoes. I've met many people who, if they have heard of Suncor and Syncrude's crude oil operations, Imperial Oil's Cold Lake facility, or Shell's Peace River project, think of huge white elephants born in a time when government had, or thought it had, all sorts of money to invest in uneconomic mega-projects.

So many of you may be surprised to know that Syncrude, for example, has been profitable in every year of its operation. The success of the oil sands has, moreover, just attracted major new investments by Suncor, at its oil sands mine near Fort McMurray, Imperial Oil, at its successful Cold Lake operations, and Amoco, at its Primrose Lake operation.

So why have you not heard of Syncrude, Suncor, and the other oil sands operators? Perhaps because of our remote location, mostly the northeastern part of Alberta. We're out of sight and so perhaps out of mind for most people. But if I tell you that the five largest oil sands operations already supply 25 per cent of Canada's petroleum needs—one out of every four litres you fill your car with, for example—then I hope I've impressed you enough for you to become interested in the oil sands and their potential.

And that is the real reason why I'm speaking to you here today. I want to discuss what is, in my view, the leading development opportunity in Canada—expansion of Canada's oil sands. I know of no equivalent job and wealth creation opportunity of this scope in Canada. Certainly not in the private sector, and with the cancellation of Hydro-Quebec's Great Whale project, not in the public sector either.

Early in 1995, the Alberta Chamber of Resources will release the final report of its Oil Sands Task Force. It will show why the oil sands should become a fundamental part of Canada's economic and energy strategy. I am excited about this report because, if it is received in the way we believe it will be, it will send a strong signal to Canadians that a special focus on the oil sands is in the best public interest.

Just as we are currently at a crossroads over national unity, so we are at a crossroads over oil production. Domestic conventional light crude is declining rapidly, to the point where, by 2010, oil sands production will equal conventional production.

It is basic economic theory that a nation makes the best progress when it specialises in what it knows or what it can do more efficiently than anyone else. We have a clear economic advantage in the form of Canadian technological mastery of the oil sands. Today, our oil sands technology is considerably more proven and advanced than that of gasification or liquefaction, and far more advanced than that developed for such alternate energy sources as solar or geothermal energy. This is not to suggest that other technologies won't prove out in time—just that oil sands technology is tested and proven now.

We also benefit when we back made-in-Canada projects, such as the oil sands, because they generate confidence in future economic growth and are an important symbol of Canadians' pride in themselves.

One hundred and ten years ago, Sir John A. Macdonald had a vision of holding this country together. The CPR became a symbol of pride and a focus of business growth in the last century. And with prosperity came a unity of purpose that kept this country together for a long time. We have a vision that sees the oil sands as having the same potential to play this role in the 21st century. They could demonstrate to others—and to ourselves—what we can do. The Avro Arrow had the potential to be this kind of symbol in the sixties, and to move Canada into the big leagues of aerospace technology. We threw that chance away by thinking small. Do we want to make the same mistake again... to dwell on small dreams and small accomplishments? No. A thousand times, no.

I think it's appropriate that today, in a railroad hotel, I tell you about a new national dream. We want to rekindle the spirit of 1884, when optimism reigned as the last spike was hammered in.

We can use the oil sands as a lever to make Canada a credible option again both for Canadians and for others. We can use the oil sands to rejuvenate and revitalise Canada. We can use the oil sands as part of a master plan for economic development. We know we can do it. We have the technology. The projects are expensive, but the costs are known.

What stands in the way are a lack of a national strategy and the patience and determination to stick with it until we get results. We need to have a belief and a confidence in ourselves. We need to set long-range economic goals and then have the perseverance to stick to them. We need goals that embody vision, realism and dogged persistence in pursuing them. And we need a national consensus around what we want.

The oil sands, black gold, could be a worthy successor to the last spike. And the strategy that the Oil Sands Task Force unveils next year could provide the road map to get us there.

I believe oil sands development could be one of the key ingredients to Canada's economic future. There are, however, three questions that beg answers. First: What is the current status of our industry? Second: What could it be? Third: What kind of oil sands development do we need?

First, let's discuss the current status of our industry. It's no secret that several oil sands proposals are dead, notably, OLSO, Alsands and Canstar. Between the early seventies and late eighties, seven oil sands projects were proposed, none of which came to fruition.

There are three reasons why these projects failed to proceed. First, the recession of the time reduced consumer demand. Second, high interest rates made several projects uneconomic because of the staggering cost of borrowed money carried for the many years between project start and project completion. And finally, oil sands projects have suffered from fiscal terms which maximised immediate government revenue at the expense of investor pay-back.

There is also one other adverse factor about which we should be frank. I'm talking about that ill-defined state of mind called "investor confidence." None of us is a totally rational being and even the most hard-headed business person bases his or her investment decision not just on complex calculations of future returns, but also on an intuitive feel for the marketplace and the safety of his or her capital.

Investors can live with technological risk. They can live with risk created by fickle consumer tastes. They can even live with an unhealthy load of government regulation of business, as much as it is often unproductive and irritating. What they cannot abide, however, is the gnawing suspicion, reinforced by experience in Canada, that if they invest money wisely and manage to make a profit, the public will call it gouging and government will respond by turning around and appropriating most of that profit.

Take away the rewards and the discipline of the marketplace and you have a civil service economy—an economy where losers aren't allowed to lose and winners aren't allowed to win. When investors lose their confidence that they will be allowed to reap the rewards of their success, then they will be left with no incentive to take risks. And expensive projects, whose risks are high because of their size, lead-time and technological innovation, will be the first to suffer. This, in fact, is exactly what happened in the oil sands.

The majority of the planned projects were derailed. Out of the survivors, however, has emerged a healthy industry which has made steady progress and is now poised to try to move forward again.

Well, now let's examine our second question. What could the oil sands industry become?

My basic proposition to you is that oil sands development should be a fundamental part of Canada's economic development strategy for the rest of this century and into the next. I have four primary reasons for believing this.

First, the oil sands industry is an area where Canada has developed some significant advantage in the form of technology. On the subject of the oil sands, Canadians know as much as any nation in the world.

Second, oil sands development can proceed in logical, staged, and environmentally responsible production increments that build on the existing infrastructure. This infrastructure not only includes the $20 billion worth of operating plants and pipelines, but also community infrastructure, highways, and supporting services. This type of development is far less risky than the original large integrated plants like Syncrude and Suncor, and should not be confused with a series of large-scale stand-alone mega-projects.

Third, oil sands projects are powerful engines for pushing the economy back into overall economic growth. Our economy is in a very fragile state right now and the growth we are seeing could be sustained by oil sands development. This is because oil sands projects generate instant activity in the constructions sector, as well as early orders for manufactured goods in factories across the country (but primarily in central Canada).

Oil sands operations also create an internal market for products and services which have tremendous export potential. Examples include mining equipment, processing units and fabricated vessels and pumps which are needed in other world-scale projects in other countries.

Furthermore, by working on large oil sands projects, Canadian engineering firms gain experience which is very saleable on international markets.

Another argument for oil sands projects is that they produce more output per dollar of capital cost than other large projects. They also generate considerable business prospects for hundreds of small- and medium-size enterprises, where most of the job creation occurs. For example, my own company, Syncrude, had contracts last year with over 2,400 suppliers and vendors who, in turn, subcontracted work to many other small- and medium-size businesses across the country.

The oil sands are, in fact, a tremendous example of value-added resource development right here in Canada. Our already high-quality crude is further refined into various finished products and high-value petrochemicals, which are exported to 36 countries.

At a time when Canadians are being urged to pursue greater productivity, and to become more competitive in a global economy, the oil sands offer a tremendous opportunity for our country. It is an idea whose time has arrived.

Right now, for example, we are talking about an investment opportunity in excess of $21 billion to triple oil sand production from 400,000 barrels to 1.2 million barrels per day. Unit costs per barrel at that kind of volume would be approximately $9 Cdn to $12 Cdn per barrel level—which is less than $10 U.S., and which is very competitive with conventional production, when finding and development costs are included.

At this point, you may wonder: if oil sands projects are such a good idea, and so essential to offset declining domestic production, why aren't major projects being built?

The answer lies not in any fundamental weakness of the oil sands projects that were proposed. It lies in two factors. First, the "double whammy" of high interest rates and declining consumer demand that we saw in the seventies and eighties. And second, fiscal policies that undermined investor confidence and reduced the profitability of those projects.

Oil sands developments could and should be restored to their proper role in our own overall economic scale of things. This would require two basic changes. First, an improvement in the Canadian economy coupled with greater responsibility in government spending. We can have sustained economic growth, provided our governments resolve to live within their means. Second, a stable, generic set of fiscal terms which recognises the nature of the investment required to build oil sands plants and provide a fair share of the value created to the developer.

I understand and support the government's need for revenue. No part of industry should be expected to operate in a tax-free environment. We all have a responsibility to carry our fair share of the tax load. But do you realise that today the oil sands industry is the only manufacturing sector which does not have its own fiscal regime? Each oil sands operator has a different set of tax and royalty terms. As a country, and as an industry, we have to get away from negotiating on a project-by-project basis. We have to get away from government picking the winners and losers, so that we can get on a level playing field and let the free market pick the winners and losers.

The socio-economic benefits of oil sands development are huge. In the case of the vision we have of increasing oil sand production to 1.2 million barrels per day, government revenues from sales, business and income taxes, together with the results of reduced social expenditures, would improve by $122 billion between 1995 and 2025. The size of the debt, which is currently an obligation of government, could be notably reduced. Canada is wedded to social programmes that it cannot afford and to a redistribution of wealth that is increasingly difficult to fund. Development of the oil sands could finance much of our social agenda and help pull the social fabric of the country together.

And that leads me to my next point. Before development can proceed, we need a climate of investor confidence, brought on by government commitment to a sound private sector though long-term rules that will not be broken for political expediency.

Now, let's turn to my third and last question, namely, what kind of oil sands development should we encourage?

I believe that Canada's oil sands could and should play a key role in this country's economic development for the rest of this century and into the next. We don't have to look for our oil; we know it is there. And we also know that once Canada returns to sustained economic growth, our thirst for oil will grow again. Our domestic conventional production is fast declining. The time to restore momentum to oil sands development is now.

We have the technology, much of it developed by Canadians. It can be improved still further. We have enough oil sands to supply Canada for hundreds of years, and have enough left over to expand our exports to the United States and to provide a secure long-term energy supply source for countries on the Pacific Rim. We are the world leaders in oil sands production technology. And we work in partnership with the Aboriginal People of our area who benefit from employment and entrepreneurial opportunities.

Is it expensive oil to produce? Of course. But no more expensive, we think, than the alternatives of depending heavily on off-shore imports and forgoing the opportunities for job and wealth creation in Canada.

And finally, oil sands development delivers a benefit to the national economy unmatched by any other capital project currently proposed. A barrel of oil from the oil sands delivers spin-offs of a high order. A barrel of imported oil brings with it little in the way of domestic employment, manufacturing demand, or government revenue. Construction and operation of new and expanded oil sands plants, on the other hand, would add more than 1.1 million person-years of employment from 1995 to 2025. We would see over 50,000 permanent new jobs created after that. Much of this employment would accrue to small- and medium-size businesses. Canada's Gross Domestic Product would increase by 0.6 per cent—all of which adds up to a very significant impact on the Canadian economy.

What stands in the way of further oil sands development, then?

I have already touched on one important obstacle. We need a reasonable, stable, secure set of ground rules for development. A set of rules that gives the investor some incentive. One that will be put in place by government and left there.

Another thing, just as important, and indeed, perhaps more important, is confidence in ourselves. We Canadians tend to have short memories and too little willingness to set long-term goals and find the confidence to stick to them. Too often, we trim our sails to every change in the wind. To develop our oil sands resources will take a national commitment to long-term goals and a dogged determination to stick to them for many years, much as the Japanese decided in the early fifties to become a world power in steel, automobiles, cameras and electronics—goals that seemed at the time, to outsiders, to be completely unrealistic.

The goal we all seek, of a prosperous and dynamic Canada, is within our grasp. We have the resources. We have the skilled and educated people. What we don't seem to have, yet, is a national consensus around what is needed in the way of public policies to get development moving. In that sense, our biggest economic problem is our state of mind. Oil sands development could play a central role in our economic recovery and ongoing prosperity. We need to gain a common understanding of the tremendous social and economic benefits that are possible. What we need to do is just get on with it. Let's awaken the sleeping giant of the oil sands.

Canada has a choice. We can secure our energy future, and thereby our economic future, by developing our oil sands. Or, we can depend increasingly on Middle East oil, and volatile Middle East politics, and lose the opportunities for a better future that are within our grasp today. To me, the best choice is obvious.

We need a better and more vigorous Canada, better adapted to the challenges of the 21st century. The oil sands represent a key competitive advantage for Canada. Development of this resource could enhance our future prosperity. By not realising the potential of the oil sands, we are weakening ourselves where we most need to be strong. We have a unique window of opportunity, but we must act soon if we are to secure our economic and energy future.

We need to work together and make oil sands development a high priority on Canada's opportunity agenda. If we don't, the vast oil sands resources may go undeveloped and, in the end, we will all lose.

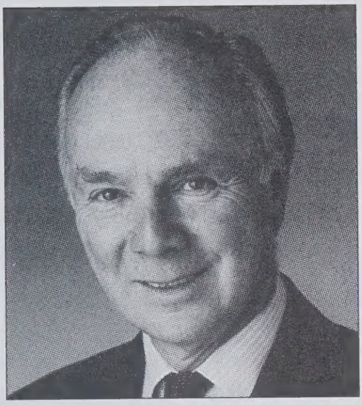
The appreciation of the meeting was expressed by Alex Squires, Oil and Gas Consultant, Loewen, Ondaatje McCutcheon and a Director, The Empire Club of Canada.

PART VIII—ECONOMICS AND TRADE

Business and trade are seemingly the grey and faceless foundations of our economic well-being. But the history of business and trade, upon close analysis, is hardly grey. Some of the world's most adventuresome and colourful characters have inhabited the world of affairs since 1720 when modern business institutions were in their infancy.

The visit of the Superintendent of Financial Institutions, three investment advisors, the Chairman of Lloyd's of London, the Minister of International Trade, the Principal Secretary of Hong Kong, the Lord Mayor of London were foils for a review of the tulip bulb crash of 1720, the Industrial Revolution, the history of city-states, the voyages of Marco Polo, the rise and fall of Law's Mississippi Company in Paris, and the market crash of 1825.

Gerry Schwartz, Chairman, President and CEO, Onex Corporation and Premier Bob Rae.



April 20, 1995

David Rowland

Chairman, Lloyd's of London

307 YEARS AFTER EDWARD LLOYD'S COFFEE-HOUSE

Chairman: **John A. Campion**
President, The Empire Club of Canada.

Head Table Guests

Julie Hannaford, Partner, Borden & Elliot and 1st Vice-President, The Empire Club of Canada; Caroline Park, Student, Eastern High School of Commerce; David Edmison, Investment Counsellor, Martin, Lucas & Seagram Ltd. and President-Elect, The Empire Club of Canada; Robert McDowell, Partner, Fasken Campbell Godfrey; Mark Oppenheim, Attorney In Canada for Lloyd's Non Marine Underwriters; Frank Potter, Chairman, Emerging Markets Advisors Inc. and Chairman, Canadian Association of Lloyd's Members; Peter Davies, British Consul General; George Cooke, President and CEO, The Dominion of Canada General Insurance Company; Monty Larkin, C.A., Honorary Director, The Empire Club of Canada; Richard Blackwell, Financial Services Reporter, The Financial Post, The Rev. Kim Beard, Rector, St. Bede and St. Chrispin Anglican Churches; Wendy Leaney, Vice-President, Communications, Toronto Dominion Bank; Nick Villani, President and CEO, Aetna Canada; and Kenneth J. Mead, Managing Director, Guy Carpenter Inc. and President, Guy Carpenter & Company (Canada) Limited.

Introduction by John Campion
John Law's Walk on the Seine

It was springtime in Paris. A rascal or a genius from Scotland strolled the banks of the Seine and wondered what his future would be. John Law was the son of an Edinburgh goldsmith. He had left England to avoid murder charges where he had been remarkably successful in a duel. On that morning in 1715, he stopped for a drink and heard that Louis the Fourteenth had died.

France, John Law knew, had one problem and for him personally, one asset. France's problem was that the French Treasury was bankrupt. John Law's asset was that the Regent, the Duc D'Orleans, was intellectually and morally bankrupt.

John Law's solution for France and for himself was easy enough. In 1716, he got permission from the French Regent to establish a bank, the Banque Royale. As part of his bargain with the Regent, the Bank took all of the debts of the Regent and the realm. Using a recent American and Quebec invention of paper money, the debts were paid off with notes of the Bank being promises to pay in silver or gold.

With this success established, Law organised a company which became known as the Mississippi Company. It was given absolute title to all of the land north of the Gulf of Mexico to Minnesota and east from the Rockies to the Allegheny Mountains. The land contained a number of gold and silver mines which, unfortunately, had not yet been discovered.

By 1719, John Law's Paris was truly wonderful. His notes from the Banque Royale went out to trusting Parisians in the hundreds of millions. Prices for stock issues in the Mississippi Company went skyrocketing. The old Paris bourse was outdoors. The excitement was intense, sometimes violent, and the noise was deafening.

Investors sought to catch a glimpse of the man who had now been given the title of Duc D'Arkansas. The French word millionaire came into being during this period. Women offered themselves to induce the new Duc to sell them new issues of stock.

In 1720, Law was made Comptroller General of France, the supreme arbiter of all French finances.

But as the spring of 1715 turned into the winter of 1720, one investor sent three wagons to exchange his notes for gold. The wagons went away empty. The euphoria turned to shattered dreams. John Law preferred emigration from France to execution.

Since the beginning of modern world markets, booms driven by asset inflation, human greed, willing suspension of disbelief, fraud and a failure to appreciate risk has shaken many a steady investor, institution, country and world economic structure.

Tulips in the 1630s, the Mississippi Company and the South Sea Bubble in England in the 1720s, the market crashes of 1825 in London and 1929 in New York, the world depression of 1873 and the market meltdown in 1987. Gold, oil, property, railroads, trade and plain old illusion are just some of the convenient inducements to profits which fuel booms and create the busts.

The 1980s were a time of such inducements and booms and the 1990s are a time of disappointment. The staggering scope of the euphoria of the 1980s affected even the venerable and rock-solid institution, Lloyd's of London. It was founded on trust, personal honour and high risk and was maintained, for most of its existence, by a cultural uniformity of its investors who took the rewards but were willing to pay for the risks.

Lloyd's of London became a stable institution with a world-wide reach. Its success was driven in part by the British trade dominance of the last century. But the syndicates of Lloyd's have maintained their world-wide stature in insurance and reinsurance, long after British dominance of trade had ended.

But the latest world boom of the 1980s induced some investors into Lloyd's who lacked the necessary prudence and judgment in investment. These investors were arguably induced to become names of Lloyd's on misunderstandings. As a result, names who, in the past, had accepted their losses as a matter of personal honour and trust, now complained of unfairness.

Public law suits by names invaded this elite preserve. The institution was exposed to a public inquiry. Not even this seemingly impregnable preserve of financial excellence was spared the devastating effects of greed and imprudence.

David Rowland is the Chairman of Lloyd's of London. Mr. Rowland has been in the insurance business since 1956 and an underwriting member of Lloyd's since 1973. He was Chairman of the 1991 task force appointed by the Lloyd's Council to report on the Society's future. He was appointed Chairman of Lloyd's on January 1, 1993. Under his chairmanship, Lloyd's of London has turned to effectively dealing with its problems and re-established itself as a pre-eminent world organisation in the insurance and reinsurance field.

David Rowland was educated at St. Paul's School and Trinity College, Cambridge. Prior to becoming Chairman of Lloyd's, he was an executive of a number of insurance organisations, ultimately becoming the Chief Executive of the Sedgewick Group plc in March, 1988 and Chairman in April, 1989. He has been an officer or director of a number of insurance organisations and is a non-executive director of SG Warburg Group plc. Mr. Rowland has involved himself in the community as Chairman of Council of Templeton College, the Oxford Centre for Management Studies and was awarded an Honorary degree by Oxford University in March of 1993. It is with great pleasure that I welcome Mr. Rowland to our podium today.

David Rowland

President, ladies and gentlemen, after that introduction I think you had better find out how I really got the job. I had, as you'd pointed out to me, led a blameless life as an insurance broker for many, many years. Just towards the end of it, when I might have been moving towards an elegant retirement, I was asked to write a report on the future of this great society at Lloyd's. There was a lesson, ladies and gentlemen, in that. First of all, don't write a report if you don't want to finish up with the consequences, because one of two things is bound to happen. If it is a lousy report, it is an embarrassment to everybody; otherwise, suddenly, quite without justification, you become the saviour of the nation and your life becomes different, because it's very difficult to run away from difficult circumstances.

It's very important, ladies and gentlemen, to have your feet as firmly on the ground as you possibly can when doing jobs like mine. If you don't golf, then you need a family, because families tell you the truth—or at least mine does. My children particularly have that habit of pointing a few things out to you. And they say they've only noticed one difference since I've become Chairman of Lloyd's, and that is that it is impossible for me to answer a simple question like "Is the sun shining?" in under 45 minutes. Indeed I was speaking in Brussels about three months ago to a very distinguished group of European businessmen, and I had indeed spoken for about 45 minutes. Sometimes you think you do things reasonably well and sometimes not so well, and I'd actually thought it had gone quite well. But one of those people I've always wanted to be—tall, elegant, beautifully brushed grey hair, Belgian-speaking, immaculate English—proposed the vote of thanks and I still don't know whether he was passing me a compliment or an insult. I leave it to you to judge. What he said was this. He said that in the seventeenth century it was said that no man should make a speech of longer duration than the period for which he can sustain the act of love. Don't reflect on it.

Well thank you for smiling. It's very important when tackling difficult and important things to smile at the same time, because you need some laughter.

I feel passionately about the job that I am doing. I actually believe it is without exception the most interesting, the most challenging job that I could possibly have in the world, and I enjoy it enormously. That may be a strange thing to say when the institution, as you've pointed out, has caused a great deal of suffering for a lot of people who've risked their money within it in the last few years. And what I would like to try to do today is to explain, as well as I can, some of the background to this. I would like to try to help you understand why it is that the space between the advertisements in newspapers is filled perhaps more regularly with stories about Lloyd's than about almost any other single business subject, certainly on our side of the Atlantic, if not yours. I feel that there are probably only three subjects that journalists turn to when they can't think what to write about—sex, the Royal family and Lloyd's. We have a considerable ability of mixing the last two together. We're a little weaker on the first, but we practice.

But why? Other institutions have periods of great difficulty. Other institutions lose huge sums of money, but they're not, as we are, based on the principle of unlimited personal liability. If you're a shareholder in one of those companies that goes through a bad period, the worst that can happen to you is that you lose the value of the stock that you've bought, That may be painful, but it is not at all the same thing as being threatened down to the very last penny, that you actually possess.

I think if we go back right to the very beginning of the society, you will understand more about the way in which it operates now. You see, it really did begin in a coffee-house. It began in a coffee-house in Tower Street in 1688, just down the road from the amazing glass and steel building that we presently inhabit. Edward Lloyd ran a coffee-house, and coffee in the second half of the seventeenth century was a very expensive drink. It was a very fashionable drink, and it was a place where rich, prosperous merchants used to go each day. Now what actually happened, of course, nobody actually knows, but it is quite easy to envisage how the first insurance transaction took place. There were sitting round the table of that coffee-house a group of those rich merchants, and the owner of a vessel or a cargo must have gone into the coffee-house, and in conversation laid off the risk of that voyage with those people sitting around the table. One of them must have decided how much they would charge for the risk of the voyage, for underpinning, taking the insurance risk, and the others said, "Right. Bill's put down so much, I'll take five per cent, I'll take 10 per cent," and so on until the risk was completed. They wrote their names on a little slip of paper, and they wrote their names underneath each other, so they became called underwriters. Now at that very moment, they established the principles upon which Lloyd's have been built all these years. They were indeed rich merchants using assets that they had built up in another trade as the underpinning for a second trade—that of insurance. They were individuals and individuals, then as now, here and across the Atlantic with us, have unlimited personal liability. It is not peculiar to Lloyd's. It's just the nature of the law of the land. They did it as individuals.

Now it must have been successful because quite quickly after that—1688 is the first mention of it happening—Lloyd's coffee-house became known as the place in which insurance could be transacted. A couple of things followed quite closely. Firstly, the rich merchants didn't want to go into the coffee-house every single day, so they formed themselves into a loose grouping and they agreed that one of their number would go into the coffee-house and accept business on behalf of the others. They formed a syndicate and the syndicate accepted business in fixed proportion. Each man, each for his own sake, not one for another. Now the owners of cargoes and the vessels didn't want to go traipsing into the coffee-house every day, so they appointed middle-men, or brokers, Lloyd's brokers, because they had access to Edward Lloyd's coffee-house. If you look up the definition of the term "broker" in one of the big historical dictionaries, you will see that in the second half of the seventeenth century one of the most common usages of the term "broker" was to indicate a go-between in love affairs, a pimp or a bawd. I used to wonder about that. A different story.

Well jump, ladies and gentlemen, if you will, 307 years from then to now. In a quite extraordinary way, the pattern of business established in those early days remains. But the scales have changed. Take today. There are 170 syndicates of those rich merchants with appointed underwriters sitting in the market at the room at Lloyd's, there are 230 firms of middle-men in love affairs, Lloyd's brokers, ranging in scale from the great international financial services organisations like Marsh&McLennan, Sedgwick, Willis and so on employing 25,000 people across the world, down to specialists specialised either by territory or by subject employing a handful of people. All are at a standard which makes them acceptable to those who govern the market at Lloyd's, a business which today, despite everything which has happened, has a capacity to accept insurance premiums in this current year of 10.2 billion pounds. Around Lloyd's, in the City of London, has gathered a host of international insurance companies, brought there because of the catalyst of the Lloyd's market. So Lloyd's is, in fact, half the international market in London. The other half, the insurance companies, about 190 of them, account for a capacity of about another 10 billion pounds—a huge international market. And I think it is almost literally true that most of the innovations in the development of insurance property and casualty insurance have their origins in some way in that market—at Lloyd's or with the brokers or the clients whom the brokers were dealing with.

Why was it that that peculiar system that started in the coffee-house all those years ago actually allowed a development of innovation and enterprise that was different to the remainder of the business? Well, I think by accident. Maybe by sheer genius of design (though I often believe in the accidental theory of history), Lloyd's developed a system of doing business that was indeed different. It was simple. You see, the underwriters in the room at Lloyd's on behalf of those rich merchants did just that: they accepted risk. They didn't build great palaces across the world. They actually specialised in one thing. They relied on the middle-men, the brokers, as the interface between them and the clients. They developed very early on a very sound basis of business, i.e. they have low fixed costs at the centre and have high variable costs, so you can turn the tap on and off when you want to do more or less business. And they had only one method of transaction. They didn't confuse things, as so many of the insurance business still do, dealing either direct with clients or through branches, those palaces across the world, or through brokers. That multiplicity of route of distribution is, I believe, one of the reasons why the cost of transacting insurance is so high. Insurance is a very inefficient business and therefore there is a great prize for people who do things better. And Lloyd's actually did it better. The system was not built on corporate structures. Individual responsibility held sway. Of course, there are virtues and there are risks in that because people make bad decisions as well as good ones, but the good decisions at Lloyd's historically have always been made quickly by people who have been accountable.

Now that, I believe, is a great story of enterprise and success. But what went wrong? Well, two things went wrong. One has its origins back in the period of the 1950s, sometimes before, where underwriters at Lloyd's, big participants in the North American market, the United States market particularly, had written liability policies which, in the light of events which followed subsequently, were open to interpretation whereby asbestosis and other latent diseases could be called upon to be paid under policies that we assured for a quite different purpose. And those same policies also were vulnerable to the whole question of the clean-up of America and pollution. That has been a developing saga which now we can see is a huge liability not just for Lloyd's, but for the whole international insurance market. And it's very difficult, looking backwards, to know exactly when that particular horror became the horror it is now perceived to be. That has developed from the 1960s, 1970s and onwards.

But that isn't enough to explain the dilemmas that we've had recently, because let's be clear, President, ladies and gentlemen, we have had dilemmas. We've lost seven billion pounds of other people's money in the last five years. And that's not a proud record. It is in another way a proud record, because there are very, very few institutions that could actually do that, pay every single claim and be certain that they can continue to do so into the future. So the system's worked, but it has been painful indeed for the people within it.

But "why?" (if I can ask that question again). You, President, touched on some of the reasons. You see, the people who traditionally have become members of Lloyd's were indeed rich merchants, merchants who are rich enough not just to have enough to qualify to be an underwriting member of Lloyd's by the standards that were laid down, to make the deposits in the market, or to show the additional wealth that was necessary to support underwriting. They always had rather more than that. In the 1970s and the beginning of the 1980s, Lloyd's became a very fashionable "investment." It was perceived to be something that added very considerably to the potential income of those who were involved in it. Financial advisors, many of them across the world, became very interested. People in the market suddenly realised that their basis of reward was often based on volume rather than on the bottom-line performance and started selling more vigorously the concept of Lloyd's membership across the world. No longer was it a society where people knew each other in quite the same way. It had been extremely successful. It had outperformed other insurance underwriting institutions consistently at the time, so there were reasons. Those controlling the market, the council, my predecessors, saw themselves as providers of the fabric within which the business was transacted, but not as people who interfered directly in the trade that was taking place. That was the history. That was the background.

Now every single person who joined Lloyd's then and ever since could not possibly have been unaware of the nature of the risks that they were undertaking, as evinced by both the forms they had to sign and by the very solemn interviews that each individual person had to have. But you know what it's like. I equate it sometimes to the way we all feel when we buy a new motor car. We know perfectly well that in that particular model that we have just selected, maybe 500 people have been killed in the year beforehand, but we don't actually think about that when we drive it away proudly from the showroom. We're not going to be killed, are we? It isn't going to happen to us. And of course there were many people around—advisors, others in the market—who are at pains to point out the shiny gleaming nature of Lloyd's membership as opposed to the hazards that lay beneath.

So we had in the 1980s a whole lot of people coming into membership who perhaps were straining their very last cent to become a member, and of course, Murphy's Law operates at times like that. Those are the very people who cannot withstand what might happen next. Now also in that period, the underwriters became greedy and toxicant. In the insurance business in the 1980s was a period of low insurance rates at the beginning of the 1980s and then an explosion in the middle of the 1980s, when the rates went skyrocketing. Big profits were made. A great deal of new capital flowed into all our markets and many new members joined Lloyd's. Then of course what happened afterwards was that the rates plummeted again. There wasn't a hope of underwriters making a profit at the rates that were coming through the front door on some of the primary business. So they strained themselves for some of the more esoteric means of transacting business. And a cycle of re-insurance around the market was developed. Re-insurance is an admirable way of creating capacity and spreading risk, but not if it's misused. And the system was used in such a fashion that instead of spreading risk across the market, there was a concentration back into the hands of certain syndicates. And some of those syndicates, or some of the newer syndicates, had actually joined. This is absolutely terrific, provided that catastrophes don't happen. And, of course, in the late 1980s catastrophes did happen. It was a period where there was a greater concentration of physical hazard damage, not than ever before in recorded history, but just in the lifetime of the people who were actually writing business in the market. You see, we don't have hurricanes in Europe, but we happened to have two of them within a three-year period. If you look at history, you get that about every couple of hundred years. I don't have to go through them. They are all familiar to us. And these losses were bad enough for the whole industry. There were very serious losses made by people across the world, but at Lloyd's they funnel through particularly. They weren't spread; they were concentrated on a number of these particular syndicates just at the same time as we were having a pile-up of some of those latent disease and pollution liabilities as well. And that, ladies and gentlemen, is why it all happened.

Now, two years and three months ago, when I came into this job, I'd hired an extremely good chief executive who is an admirable and smashing colleague to work with. We agreed that it is no good having passionate beliefs in the future. It's not good enough. You have to look hard-nosed at business to see if you can actually rebuild it. And we tested ourselves against the yardstick that every business should have. What's special about Lloyd's that makes us think that in the future we can repeat any of the past history? Can we make money out of insurance underwriting? And we answered these basic questions all positively. I have an absolute horror of the way in which we in today's world sit back and watch things go wrong, and know with total certainty that 20 years later we shall sit back, grey in our beards, and bemoan the fact that we didn't do something about it at the time. "Oh well, the Lloyd's system went. Isn't it a tragedy?" Well, it wasn't going to be like that, because sometimes when institutions and businesses are at the edge of disaster, you can actually capture them—keep the essential qualities and build again for the future.

We're all appalled by change. We all want it to be the same way as it was yesterday and only sometimes—when you are as close to disaster as that—can you actually face up to it. Well, I can't tell you that we have solved all the problems yet, but we have done a hell of a lot. In the first year we put out a plan in public, we changed the basis on which people could underwrite at Lloyd's by introducing into the market a form of limited liability capital with much higher ratios of security. We did that in the first year. There is nothing more valuable than people voting with their pocket book. Sweet words are not worth anything compared to that. At the end of the first year I was able to say that nine hundred million pounds of new capital had been attracted into the market, not from innocent capacity, but from managers of money on both sides of the Atlantic of the quality of the very best investment banks. They were the people who looked and said, "Yes, it's been a real problem, hasn't it? But we can see there's terrific business to be had there and we want to be part of it." Last year again a new heap of capital came in. We have at the moment all the capital that we want. I don't want a capacity for the market larger than we presently have got. They have to come to join us. That shows to you, our observers, and particularly to you, our clients (because that is the most important relationship that we possess) that indeed there is an amazing business there at Lloyd's which has been and will be there again for the future.

When people lose huge sums of money in today's world, there is no alternative but that they will litigate. And indeed some of the litigation which surrounds us is absolutely justified. There is no question but that some of the losses arose because of the negligence of people managing their affairs in the market. But, ladies and gentlemen, not all the losses were made in that sort of way. Unfortunately, one cannot separate those who join the bandwagon because the bandwagon's rolling from those who suffered losses for reasons where proper address is necessary. But the other absolute certainty that I have is that litigation never produces the answer that litigants actually expect. Sometimes occasionally better, sometimes worse, but never what you actually expect. It's longer, expensive, more complicated and debilitating for everybody. We made an offer to try to resolve that litigation about 18 months ago. We failed.

Looking back on it, I think it was naive and well-intentioned, and we didn't know enough about the situation when we made the offer. We're trying again at the moment. We are deeply engaged on building on the things that we have done to see if we can stretch ourselves further, so that by the spring of next year we will have brought this particular episode in Lloyd's history to an end. I don't know whether we shall succeed. I have faith that we will, but that's not the same thing as being able to tell you that we will. And why the spring of next year? Because we have a three-year accounting cycle at Lloyd's and I know again with absolutely certainty that in the spring of next year I will have the privilege of announcing the first serious profit in five years at Lloyd's. I know it will be substantial because the '93 year of accounting has been an extremely good one and it seems to me that that presents an opportunity both of seeing a line drawn under this episode of our history and also of trying to resolve the issues and the outstanding difficulties that we had.

Our president lets you feel that the whole of my life, and those of my colleagues, is concerned with the problems. It isn't like that at all. We have to give a great deal of attention to them, but it is a lively business. We have a great business here in Canada. We've been in Canada for generations. We regard ourselves as an integral part of this market and I am delighted to say that I believe we do good business in this market, good business from everybody's point of view, and certainly from the point of view of the people who are underwriting it at Lloyd's because it is profitable and it offers a good return. I think we have made many changes (with the help of many people in this room) in the last few years and I look forward very much to stories like that continuing across the world.

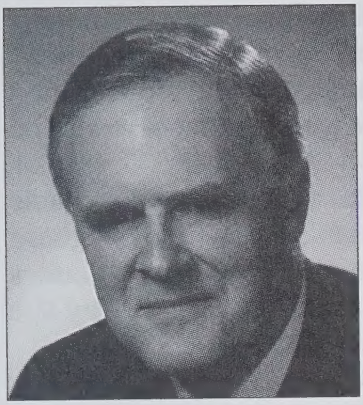
Three hundred and seven years, ladies and gentlemen, is quite a long time to be in business. We are not going to watch the baby disappear with the bath water. I am absolutely certain that my successors will be able to stand before you. But I hope they will be able to do so as proud as I am of our record and without having to explain the dilemmas that we've faced. If we've learnt from those dilemmas then to that extent only have they been worthwhile. I deeply regret that we cannot replace the losses that people have made. They're real and I cannot invent losses. We have to pay our claims. But it is a business with a great future and I am very grateful, President, for your allowing me to talk to you about it.

The appreciation of this meeting was expressed by David Edmison, Investment Counsellor, Martin, Lucas & Seagram Ltd. and President-Elect, The Empire Club of Canada.

Roy Spriggs, President, Spriggs Insurance Brokers Ltd., John Lewis, David Rowland, Chairman, Lloyd's of London and Edward Badovinac, Director and Chairman of the Year Book.

George Cooke, President and CEO, Dominion of Canada General Insurance Company and David Rowland Chairman, Lloyd's of London.

John A. Campion, President, The Empire Club of Canada, and Partner, Fasken Campbell Godfrey, David Rowland, Chairman, Lloyd's of London, Robert McDowell, Partner, Fasken Campbell Godfrey, Kenneth J. Mead, Managing Director, Guy Carpenter Inc. and President, Guy Carpenter & Company (Canada) Limited, and Stephanie Brown, Fasken Campbell Godfrey



April 7, 1995

Joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

John Palmer

Superintendent of Financial Institutions for Canada

PUBLIC SERVANTS PROTECTING YOUR MONEY

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

J. Mark O'Regan, FCA, Toronto Office Managing Partner, Greater Toronto Area Regional Managing Partner, Ernst & Young and a Director, The Canadian Club of Toronto; William Brock, Vice-Chairman, Toronto Dominion Bank; The Most Rev. Edward Scott, Archbishop, Former Primate of Canada and Priest-in-Charge, St. Clement's Anglican Church; Fred Kasravi, Chairman, Ontabia Business Development Corp.; Spencer Lanthier, Chairman, KPMG; Roger D. Wilson, Q.C., Partner, Fasken Campbell Godfrey; Grant Reuber, Chairman, Canadian Deposit Insurance Corporation; Diana Chant, C.A., Partner, Price Waterhouse and Treasurer, The Empire Club of Canada; W. Edmund Clark, President and CEO, Canada Trust; Dominic D'Alessandro; Gerry Phillips, Chairman Price Waterhouse; and Herbert Phillipps Jr., President, The Canadian Club of Toronto.

Introduction by John Campion
Nathan Rothschild's Box of Gold

On the 14th of December, 1825, tall men in long-tailed pink coats and scarlet waistcoats shuttled the usual large number of people across marble floors in London. The people moved, as was their daily custom, with cloistered calm, in the five massive halls designed by Sir John Sonne. The most powerful and august financial institution in the world was operating its daily routine from its four-acre site on Threadneedle Street.

On this very day, when elsewhere in the world, radical colonels had tried to overthrow the Tsar of Russia, the Bank of England stood as a powerful symbol of British economic stability and a powerful precursor to world trade dominance brought on by the Industrial Revolution and the victory at Waterloo.

But this symbol of permanence in world commerce was anything but in a usual state of activity. Like the political affairs in Russia, the Bank was under intense pressure that threatened its very existence.

On December 16th, the whole British Cabinet, under Prime Minister Lord Liverpool, had met to discuss the economic crisis brought on by a wave of financial euphoria, driven by the ever-popular slogan of governments and private investors alike—spend, spend, spend.

Local speculation had been driven to a frenzy of financial dementia encouraged by Latin American investments in mines, rail roads, canals and other development. Inca gold and its influence on the public imagination had captured the public passion.

Those associated with the accumulation of wealth were instilled, as usual, with superhuman intelligence. The public madness mesmerized new investors into the bull market of 1824. Crowd psychology and human greed had converted sober individuals into a mass movement of starry-eyed speculators against which, as Schiller has said, “The very gods themselves contend in vain.”

In the face of the market collapse, the Bank was facing an unprecedented run on its reserves as the public and the country banks demanded gold for paper. In the banks’ vast storerooms, officials ransacked reserve boxes for gold. By December 17th, the Bank was completely drained except for 100,000 gold Sovereigns. Not since the Bank had been founded by William the Third in 1694 to finance his French wars had it stood on the brink of financial ruin and British and world trade with it.

Quite by accident, Bank officials stumbled upon a huge, unmarked chest thought to contain paper bonds. Upon opening, £1.5 million in gold Sovereigns were discovered. By December 20th, these too were gone and the Bank was down to 60,000 gold Sovereigns.

But by this time, Nathan Rothchilds, showing the value and power of private banks, had literally got his hands on 200,000 more gold Sovereigns and had 25 couriers ranging all over Europe to buy more.

Thus, the Bank and its credit were saved. Economic depression of a world-wide, deep, lasting and great historic significance followed. Key financial houses across Europe failed. The shortage and recall of credit produced a huge industrial crisis. Workers rioted in the streets. No Latin American government was able to raise loans until 1850. The Latin American Independence Movement fell from high expectation for good to petty destructive wars.

Countless individuals, institutions and groups suffered loss of wealth, decline in salaries, increased work hours and the abolishment of ancient holidays. Economists' reputations were ruined and political reputations were shattered.

And so, in this first modern world-wide financial crash, it is possible to experience all the oft-repeated indicia of financial euphoria and depression. The value of institutional stability in crisis periods was illustrated and remains unchallenged to this day.

The maintenance of long-term institutional financial stability in Canada is the responsibility of the Superintendent of Financial Institutions. We have little doubt about the significance of John Palmer's job as Superintendent of Financial Institutions for Canada.

Mr. Palmer is a Fellow of both the Ontario and British Columbia Institutes of Chartered Accountants. In his role in private accounting, he specialized in tax, assisted two successive federal Ministers of National Revenue and served clients in both the private and public sectors in such areas as financial services, real estate, transportation and communications.

He served on the panel of senior advisors to the Auditor General of Canada and as a Governor of the Canadian Comprehensive Auditing Foundation. Mr. Palmer is involved in charitable and community organisations, including the United Way of Greater Toronto and the Canadian Stage Company. It is with great pleasure that I ask you to welcome Mr. Palmer to our joint Clubs.

John Palmer

Thank you very much, John. If I wasn't apprehensive before about my responsibilities, I certainly am after that introduction. In looking around, I'm really quite impressed with the number of people here today. This is my first public address since my appointment as Superintendent last September. I've addressed smaller groups on an in-camera basis and I have had to testify before parliamentary committees, which certainly wasn't voluntary, but this is the first large-scale speaking engagement that I've accepted. I've been reluctant to accept engagements before this because, as a newly appointed Superintendent, I thought it might be useful to learn something about the job before I talked to others. So I decided somewhat arbitrarily not to accept public engagements for the first six months, and I've remained faithful to that decision. Someone who approached me a few months ago to give an address said, when I turned him down, " Palmer, it's time you came out of the closet. You can't hide forever." Well, today I may not be coming out of the closet, but I do have a few things to tell you.

In the course of a recent ski trip to the United States I had occasion to visit an American doctor. Before he would see me I had to fill out a form requiring information on my bank account, my major credit cards and my occupation. When it came to occupation I filled in "public servant." When I got in to see the doctor, and I actually got in to see him very quickly once they had established my ability to pay, he looked at the application form. "Boy," he said, "'public servant'—that's the world's greatest oxymoron." There are a few other things I'd like to tell you about this experience with the American medical system, but I'll save that for another time.

But I do want to stress that for me the term "public servant" is not an oxymoron. It has real meaning, and that's one of the reasons I took the job that I was offered. I hope to show you that in the office I have the honour to head, often referred to by the acronym OSPE, the concept of service to the public is alive and well. To do this, I'm first going to give a brief overview of Canada's financial system, because we have quite a broad audience here, and then explain the role that OSPE plays within that system. I'll also talk about some of the challenges facing OSPE and some of the changes that are underway to enable OSPE to respond better to those challenges.

First, let me try to position OSPE within the financial system. When I refer to the financial system, I'm talking about the following entities: schedule I and schedule II banks, all federally chartered; trust companies, both federally and provincially chartered; federal and provincial life insurance companies; federal and provincial property and casualty insurance companies; and of course investment dealers, credit unions, pension funds and mutual funds.

OSPE's primary responsibility is to supervise federal financial institutions. That comprises all of the banks and those trust companies, life insurance companies and property and casualty companies which are federally chartered. OSPE also supervises pension funds which are established under federal jurisdiction. There are 1,100 of these. In addition, OSPE contracts with certain of the provinces to carry out supervisory functions with respect to provincially chartered life and property and casualty insurance companies. OSPE does not have direct responsibility for the supervision of investment dealers or credit unions, although it does have responsibility for a number of credit union centrals.

As you can see, OSPE is not the only regulator of financial institutions in Canada. The provinces have regulatory responsibilities similar to those of OSPE within their jurisdictions, and there are also securities commissions in several of the provinces.

This short tour of the horizon would not be complete without mentioning the Canadian Deposit Insurance Corporation, or CDIC, headed up by my friend Dr. Reuber here. CDIC provides a deposit insurance to both federally and provincially chartered deposit-taking institutions, including both banks and trust companies. CDIC is not a regulator, but it does have some functions which complement those of the federal and provincial regulators of deposit-taking institutions.

The financial sectors that OSPE supervises are strong and well capitalised by almost any standard. They also include world-class institutions by any measure including size, range of products and competitiveness. For example, five Canadian banks rank in the top 100 internationally by assets. Most Canadian banks have capital which significantly exceeds standards set by the bank for international settlements or by the BIS. As of October of last year, the big six banks had an average risk-base capital ratio of 9.83 per cent compared to a BIS standard of eight per cent. On a capital-to-assets basis Canadian banks have capital representing about seven per cent of their assets. For Canadian property and casualty companies the ratio is about nine per cent and for Canadian life insurance companies the ratio is just above nine per cent.

Canadian financial institutions have long been active internationally. The big six banks have more than 25 per cent of their assets invested abroad. The Canadian life insurance companies are even more active internationally, with 53 per cent of their assets invested abroad and 51 per cent of their policy obligations falling to people outside Canada. In some ways, the life insurance industry may represent one of Canada's greatest international success stories, notwithstanding recent failures.

Let me give you a short history of OSPE. It was formed in 1987 by merging two federal government agencies, the Department of Insurance and the Office of the Inspector General of Banks. The objective in creating OSPE was to strengthen the overall level of supervision over financial institutions and to recognise the growing integration within the financial sector by empowering one federal agency to supervise the different types of federally incorporated financial institutions and their various activities. A remarkable amount was accomplished under OSPE's first Superintendent, whom I succeeded last year. A good team of people was built up using staff from the Department of Insurance and the Office of the Inspector

General of Banks. Also, many new people were hired, most of them from financial institutions in the accounting profession.

A philosophy of supervision was developed which reflects the traditions of the predecessor agencies, and which responded to the recommendations of the royal commission (which investigated the failure of the two Western banks). This philosophy of supervision combines the best elements of the U.K. and U.S. approaches to supervision. The U.K. approach emphasises largely off-site monitoring of financial data, while the American approach is based on very intensive on-site examinations. The Canadian approach utilises the two techniques, relying on both the monitoring of data and on periodic examinations which are less intensive and detailed than the American equivalent. Unlike that of the Americans, the Canadian supervisory approach also places heavy reliance on the work of the external auditors, which we think adds value and reduces duplication of efforts and costs. My attitude to that is changing a lot.

Following from OSPE's philosophy of regulation, detailed methodologies were developed. This was done using OSPE resources, but with a good deal of help from financial institutions and from the auditing profession.

But while my predecessor and his colleagues were labouring hard to build an organisation and develop a supervisory approach, the financial world was not standing still and waiting for all this to happen. Indeed OSPE found that the goal posts were moving rapidly. Within the financial sector there were both rapid integration and diversification. Examples of integration were the bank's acquisition of investment dealers, trust companies, mutual fund groups and more recently insurance companies. We also saw insurance companies acquiring trust companies and diversifying their product mix, including their segregated fund portfolios, which most of us think of as mutual funds. Diversification included expansion in the capital markets area, more new derivative products and a rapid growth in fee-based activities.

While the financial sector was changing, the country went through the deepest economic downturn since the 1930s and OSPE was faced with an extraordinary challenge. The extent of that challenge can be seen by considering the number of financial institutions supervised by OSPE which failed or otherwise closed their doors during and immediately after the recession. How many of these financial institutions can you name? A few high-profile names like Standard Trust, Central Guarantee Trust or perhaps Sovereign Life might come to mind. I doubt that you would be able to name many others, partly because most of them were smaller and partly because they went out of business quietly by merger, take-over or simply by closing their doors and running off their obligations. And there were many of these. On the basis of 1994 data, OSPE's records indicate that the following number of federal financial institutions went out of business after 1989. There were 15 schedule II banks, 17 trust and loan companies, 33 life insurance companies and 74 property and casualty insurance companies, for a total of 139 institutions. These figures do not include companies like Royal Trust and Montreal Trust, which retained their identity but were taken over by other institutions.

Despite the many closures, in the great majority of cases depositors, policy holders and creditors were not unduly affected. In some cases, of course, they were very much affected and the losses in dollars were substantial, but in most cases the capital of the institutions was sufficient to absorb the losses on closure.

It's important to note that this consolidation occurred during a traumatic time for Canada. During this period the country went through a deep recession and experienced a virtual collapse of commercial real estate. For a variety of reasons financial institutions were heavily exposed to commercial real estate, and many of them experienced substantial losses. But notwithstanding the trauma and the failures, most of the remaining financial institutions were covered well and the financial sector is now generally in good shape. And it's worth noting that during this same period 40 new federal financial institutions started up.

What are OSPE's responsibilities vis à vis these financial institution failures and closures? There are some who believe that OSPE's role is to prevent failures. If that were the case, OSPE failed miserably over the course of the recession. OSPE's role has never in fact been formally spelled out, but that situation is now about to be clarified. The Department of Finance issued a policy paper last February proposing a number of changes to legislation affecting financial institutions. These changes will include an amendment to provide OSPE with a specific mandate. This mandate makes it clear that OSPE's primary role is to protect the rights of depositors, policy holders and ordinary creditors of financial institutions. The mandate also makes it clear that, while regulation and supervision by OSPE may reduce the risk that financial institutions will fail, OSPE cannot prevent failures. That's the responsibility of boards of directors of financial institutions. This mandate, while still at the proposal stage, is entirely consistent with the role that OSPE has been attempting to carry out since it was created in 1987.

When I appeared before the Senate banking committee in October some people seemed horrified when I said that there would continue to be failures of financial institutions. We still seem to have a view in Canada that financial institutions should not be allowed to fail, and that if they do, somehow it is the government's and probably OSPE's fault if a federal financial institution is concerned. In my view that kind of attitude is unrealistic and probably unwise. The essence of our free enterprise system is innovation, experimentation, and a drive to provide better services and better products. The companies that do this well succeed, grow bigger, and become more profitable. The companies that do not succeed wither and die. This is fundamental to our economic system and, while no one likes the pain created by the death or restructuring of companies, no one has yet discovered a better system.

Within the economic system generally, there has been a remarkable turnover in the roster of companies that provide our goods and services. You only have to look at the Financial Post 500 listing today and ask yourself how many of those companies were on the top 500 lists 20 years ago—remarkably few. If we want a financial system that is creative and innovative, one that is constantly providing new and better services to customers, we have to allow the laws of economics to work there too. Some financial institutions will tend to succeed at the expense of others. Others which are not as resourceful, not as well-managed, and which do not respond to changes in the marketplace as effectively, will need to reorganise, restructure or even go out of business.

While I believe that this process should (within limits) be allowed to work within the financial sector, it is reasonable for us to ask that the competitive struggles of financial institutions be carefully monitored, so that when death becomes a possibility someone looks out for the rights of depositors, policy holders and creditors. And for federal financial institutions, that's part of OSPE's task.

How does OSPE go about carrying out its role of protecting depositors, policy holders and creditors? Conceptually, there are four ways in which OSPE could protect the rights of these groups whose money is the lifeblood of our financial system. First, it could restrict the activities of financial institutions so as to limit their capacity to get into trouble. Second, it could ensure that financial institutions are adequately capitalised so that there is an effective cushion against losses experienced by financial institutions which take excessive risks. Third, it could try to ensure that there is appropriate market discipline so that consumers withdraw their business if financial institutions engage in excessively risky behaviour. And finally, OSPE could intervene in the affairs of individual financial institutions when they appear to be getting into difficulty. In fact OSPE uses all four elements in carrying out its role, but with particular emphasis on ensuring that institutions are adequately capitalised and intervening directly into the affairs of financial institutions when they run into problems.

There are restrictions on the activities in which financial institutions can engage themselves, but these restrictions for most are pretty broad and are designed to give financial institutions the flexibility to develop new products and to remain competitive both in Canada and internationally.

OSPE's principal focus in the area of the activities of financial institutions is to ensure that the boards of directors have adopted what are called prudent portfolio guidelines for their institutions, and then to check that each institution is following the guidelines set by its directors. With respect to the maintenance of market discipline, it should be noted that the existence of deposit insurance has probably weakened market discipline within insured levels. However, insured levels in Canada are not particularly high, and those institutions wishing to attract deposits beyond insured levels must be able to assure potential depositors of the safety and soundness of their institutions. To assist in enhancing market discipline, the government is requiring the distribution to the public of more information about financial institutions, either by the institutions themselves or from data collected by OSPE.

As noted, OSPE's supervisory approach places heavy emphasis on the need for adequate capitalisation. A number of tests have to be met, including required percentages for risk-based capital, maximum asset-to-capital multiples and, for life insurance companies, what we call the MCCSR ratio. These are monitored carefully, and action is taken when it appears that an institution is gone or is about to go off-side.

The fourth, and perhaps the most important arrow in OSPE's quiver is direct intervention. This has several stages. For financial institutions that are operating normally, OSPE's involvement will include an annual on-site examination, monitoring of financial data, an annual closing meeting with management following the examination to report on OSPE's findings, and usually a meeting with the board of directors or the audit committee of the board to report on those findings and raise any concerns that OSPE might have arising out of the examination and the monitoring process. As a financial institution encounters difficulty, such as the need for substantial write-downs a deterioration in profitability, or the erosion of capital, OSPE's intervention becomes more active and increasingly directive. Interventions that OSPE will consider using include meetings with management and the board of directors to communicate concerns; increased monitoring; more in-depth examinations; requests for a business plan to show how the institution will remedy the problems it seems to be experiencing; a suggestion to the board that management changes may be needed; the prohibition of dividends and share redemptions; decreases in the permitted asset to capital multiple; the issuing of a compliance order requiring more capital; the assumption of direct control of the assets and operations of the institution; and finally a request for the minister's permission to seek a winding up order for the financial institution.

The various stages in the financial decline of a financial institution, and OSPE's likely intervention at each stage of that decline, are described in annex number II to the recent policy paper issued by the Department of Finance. This document applies to deposit-taking institutions and also shows how OSPE and CDIC work together at each stage. OSPE has issued a similar document to life insurance companies.

I've been talking a lot about financial institution failures, but it is important to emphasise that most Canadian financial institutions have successfully weathered the economic storms today and are financially strong. I believe that OSPE has played a constructive role in helping many of these institutions through their difficulties. One CEO of a Canadian financial institution, which experienced a severe erosion of its capital during the recession but which is now in much better shape, told me a few weeks ago that his institution simply would not have made it if it had not been for the help of OSPE. I've become aware of a number of other successes whose specifics I can't tell you about. OSPE's regulatory successes tend to be quiet ones, which is as it should be.

However I do have to acknowledge that we are not perfect. Let me give you one instance. Over the last few months I've been visiting senior executives of financial institutions to seek their views on how good a job OSPE is doing. Are we doing everything we could be doing? Are we missing anything? How could we improve? In the course of these visits I met with the CFO of a regional financial institution. I asked him how OSPE was doing. Happily, like most of the others I've talked to, he thought that OSPE was doing a pretty good job, and he acknowledged that most of OSPE's recommendations to the company were pretty sensible.

But he went on to say that back in 1989, when the real estate boom was reaching its final days, OSPE met with the board of directors to express concern about the company's lack of diversification. Now this indeed was a valid concern. Most of the company's mortgages were secured by properties in its particular region, which had been highly sensitive to past economic cycles. Criticising this company's lack of diversification, OSPE asked if the company had considered expanding into Ontario, which traditionally has been a more stable and less cyclical source of real estate investments. In this case, the company was wise enough not to follow this suggestion, thereby avoiding the heavy losses they would have experienced had they expanded their Ontario mortgage portfolio in 1989.

The moral: Regulators are human and do not have perfect foresight. If we had it we probably wouldn't be regulators.

Well, I believe that our financial system held up well through the recession, and also believe that while OSPE can be proud of the role they played, some improvements are clearly needed. In my view, most of the necessary changes have been included in the Department of Finance policy paper. Let me summarise a few that OSPE regards as most important. First, OSPE would gain the power to request an opinion on insurance liabilities to its policy holders from an actuary who is independent of the company, when OSPE has some concerns about the institution's own calculations. Second, it is proposed that OSPE gain some powers with respect to the appointment of directors. These powers have not yet been decided. What OSPE is in fact requesting is the right of veto over the appointment of directors of troubled financial institutions. We're not seeking a right of veto to all directorship appointments for financial institutions, although there are some who appear to want to give us this power. Another important proposal is to create a restructuring mechanism for insurance companies in Canada, in order to facilitate solutions that fall short of liquidation. This kind of mechanism won't be useful in every situation, but will be a valuable addition to the arsenal of remedial actions now available to regulators and protection funds. In another recommendation, the Department of Finance policy paper calls for the establishment of a policy holder protection board to continue the work of Commcorp in protecting the policy holders of life insurance companies.

Commcorp has an excellent record in responding to the failures of insurance companies which have occurred to date, and in upgrading its facilities as needs have changed. Further upgrading is needed to enhance its capacity to levy assessments on member institutions and to make it possible for Commcorp to contribute to a restructuring of a member institution before liquidation occurs. The Department of Finance proposals for accomplishing these objectives are under discussion with the life insurance industry, and I'm optimistic that these positive changes will be achieved either through the PPB or a continuing enhancement of Commcorp.

Even if these and other changes in the policy paper are implemented, many challenges will face Canada's financial institutions and OSPE, their largest regulator. Technology is fundamentally changing the face of the financial sector. It is facilitating many new products and improving the service that financial institutions are able to offer their customers. However, it also requires massive investments, and it is creating differentiations between those financial institutions strong enough to make the necessary investments and those which will have to be content with inferior measures. Some of the new products that technology has made possible, such as derivatives and other sophisticated financial instruments, are adding complexity and risk to the financial sector.

The investments in new technology and the development of new products are driven by competition which, despite the consolidation which has already taken place in the Canadian financial sector, has never been more intense. Not only are Canadian financial institutions competing aggressively amongst themselves for shares of the markets, some of which are relatively mature and not growing, they are also facing competition from foreign financial institutions and near financial institutions, such as leasing companies and, increasingly, the major pension funds. Consolidation in the financial sector is continuing.

The larger institutions continue to expand into territories which were once the preserves of other industries. Smaller institutions continue to disappear. Regardless of future legislative changes, these trends will continue.

Environmental risks are an increasing concern for all financial institutions, which may end up holding the bag for the clean-up of contaminated sites if they don't spot the risks well in advance. The recent earthquake in Kobe, Japan, and the huge estimated cost of repairing the damage there, has dramatised a potential threat to Canada's property and casualty insurance industry from a major Canadian earthquake. And that earthquake is not a question of whether. It is simply a question of when.

Above all else is the volatility that pervades every aspect of economic life. In any given day, the amount of money washing around the world, seeking advantageous opportunities, is many times that needed to finance the day's trade in goods and services. The amount of speculative money in the system, the speed with which transactions take place, the instant availability of data and the growing interdependence of all of the players on the world's economic stage mean that unforeseen and profound changes can occur overnight.

Since the Baring's Bank collapse, people (particularly people up in Ottawa) have frequently asked me to assure them such a thing can't happen here. Let's understand that the only way OSPE could make sure that that can't happen here is to post teams of derivatives experts on a 24-hour-a-day basis in every trading room of every Canadian financial institution across Canada and around the world. And even then, something might slip past us. We can't make sure it can't happen here. What we can do, and are doing, is taking a hard look at the processes and controls within financial institutions, to ensure that sensible policies are in place for limiting the risks that can be taken, and that there are mechanisms within the institutions for testing whether those policies are in fact being adhered to. The best we can hope to provide is reasonable assurance, not guarantees.

It's also important to keep the current thoughts about derivatives in the proper perspective. While they can do a lot of damage in the wrong hands and without proper policies and controls, properly used they can make for safer and sounder financial institutions. We're trying to encourage the sensible use of derivatives, not the non-use of these products. It's also worth noting that the losses financial institutions have suffered from commercial real estate over the past five years completely eclipse the losses incurred from using derivative products. And this is so even in the United States, where the use of derivatives has been more active and where, I understand, some Congressmen are calling for the prohibition of the use of derivative products by financial institutions. No one in Congress, to the best of my knowledge, is suggesting that financial institutions should no longer be permitted to loan on the security real estate.

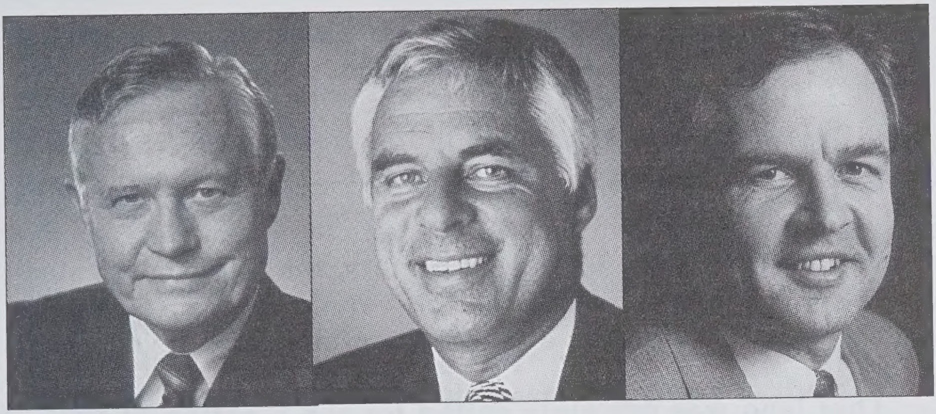
With many challenges facing the financial sector, OSPE has much to do to continue to keep pace. OSPE needs to develop more expertise in emerging technologies and products. It also needs to develop more effective distant early warning mechanisms for anticipating potentially serious risks to the system and for acting before major problems occur. OSPE needs to do more to integrate its own operations, which are currently structured along industry lines. These challenges are difficult ones, particularly in an era of government pay freezes which make it tough for OSPE to compete with the private sector for the talented people they will continue to need. And indeed I think the people issue is going be OSPE's biggest single challenge. Despite the difficulties, I'm hopeful that OSPE will rise to the challenge and will continue to be an effective protector of your deposits and insurance policies. Protector does not mean guarantor, but I can assure you, as a relatively new boy who can take no credit at all for

OSPE's successes to date, your money is a good deal safer than it would be if OSPE weren't there. And I can also assure you that in everything we do and within the limits of our mandate, our objective will be to serve the public to the very best of our ability.

Thanks again for this opportunity to talk to you today.

The appreciation of this meeting was expressed by Herbert Phillipps Jr., President, The Canadian Club of Toronto.

Tony van Straubenzee, President, van Straubenzee Consulting and Helen Roman Barber, Chairman and CEO, Roman Corporation Limited.



January 12, 1995

W. Goldring

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INVESTMENT OUTLOOK 1995

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Blake Goldring, Senior Vice-President, Sales and Marketing, AGF Management Limited and a Director, The Empire Club of Canada; Don Davis, Senior Vice-President and Director, Richardson Greenshields of Canada; Meri Rawling-Taylor, Mutual Fund Marketing Manager, Wood Gundy Inc.; Ian Cook, Senior Vice-President and Director, ScotiaMcLeod Inc.; Gilles Ouellette, Executive Vice-President, Private Client Division, Nesbitt Burns Inc.;

The Rev. Bill Steadman, Minister, Rosedale United Church; and Dan Brintell, Senior Vice-President, Midland Walwyn Capital Inc.

Introduction by John Campion

Tulips for Sale: $70,000 per Flower

While there were active security markets in Genoa, Florence and Venice as early as the fourteenth century, the first modern stock market—modern especially in the volume of transactions—appeared in Amsterdam at the beginning of the seventeenth century.

That land was certainly suited for the creation of such a significant mechanism for the funding of economic activity. The land of the Dutch was stable and wide horizoned.

Its people were sensible and somber. It was an auspicious beginning—filled with great expectations that have indeed been fulfilled as we survey the landscape of world economic activity and modern markets in the 1990s.

The whole process of investment is now a world-wide phenomenon of critical importance to the well-being of individuals whose personal wealth and future is at stake, to the participants in local, national and international markets, whether they be start-up companies or large international conglomerates and to governments who can no longer hide behind the stature previously accorded to governments as they carried out their activities in domestic, monetary and fiscal policies.

Much of the investment world is represented by the somber, professional, sensible and stable side of investment activity. But, as a means of contrast, and a note of colour, I would like to review the opposing forces in the international market to sound investment advice.

A major force that has been with us since the early 17th century is what John Kenneth Galbraith calls "financial euphoria" or "speculation." Professor Galbraith attributes the continuing episodes of speculation in markets over our modern history to the fact that anyone, taken as an individual, is tolerably sensible and reasonable, but, as a member of a crowd, can at once become a blockhead.

The only protection from what can conservatively be called mass insanity is a clear perception of the characteristics common to speculation, whether it be in property, securities, objets d'art, gold or even the lowly tulip. I note, with John Maynard Keynes, that speculators may do no harm as bubbles on a steady stream of enterprise.

But, the position is serious when enterprise becomes the bubble on a whirlpool of speculation.

Let me, for contrast and colour then, turn to the tulip.

In the 1630s, in the stable and somber land of the Dutch, speculation began in tulip bulbs. There were 160 species growing wild in the Eastern Mediterranean countries and on east from there. The bulbs first came to Western Europe in the sixteenth century. In time, enormous prestige was attached to the possession and cultivation of the plant.

Speculation came, as it always does, when the popular imagination settles on something seemingly new in the field of commerce or finance. The tulip, beautiful and varied in its colours, was one of the things so to serve. The rush to invest engulfed the whole of Holland by the mid-1630s and no person of even minimal sensitivity of mind felt that they could be left behind.

One bulb was exchanged for a new carriage, two grey horses and a complete harness. At one point in time, a merchant who had paid 300 Florins, or $70,000 in today's currency for one bulb, had the misfortune of rewarding one of his servants with a fine dinner when the servant returned from the Levant with a boatload of important goods, including the valuable tulip bulb.

The tulip bulb went missing. When the owner sought out his servant to find out where the missing bulb had gone, it was discovered that the servant had eaten $70,000 worth of plant, along with his dinner, thinking it was an onion.

Lest we think that this story is too quaint to be instructive, we can only look at the wreckage of property companies around the world who are caught up in the same speculative euphoria in the 1980s.

The men who inspired this story are three broadly respected financial advisers, who by their reputations represent the sensible and reasonable, and through their experience have shown they have the clear-headed capacity to distinguish between a good investment and a speculative enterprise.

The first is Warren Goldring, Chairman and Chief Executive Officer and Director of AGF Management and AGF Trust Company, who will speak to us on fixed income markets.

The second is Michael Landry, President and Chief Investment Officer of Mackenzie Investment Management Inc., who will speak to us on international equities.

The third is John Zechner, who is the Chief Executive Officer of his own investment counselling firm, J. Zechner Associates, who will speak to us on the Canadian equities market. This series is a first for our Club; please welcome these three financial experts.

Warren Goldring

Mr. Chairman, honoured guests, ladies and gentlemen, I want to praise you for your faith. You applauded before you heard my forecast. I'm standing on the platform of this illustrious room to which some of the most famous entertainers have come to amuse and bring joy and fun and laughter to an audience just like you. It is with some reluctance that I come today offering as my entertainment this interest-rate forecast for Canada in 1995. I am reminded of that scurrilous old saw that if you really want to turn the rate of interest, ask the bond manager to speak.

I'm also honoured to be on the same platform as two illustrious co-panelists, and I look forward to the chance of discussing things with them.

I just want to mention that I am going to be speaking to you as individuals in the bond-investing way, and that I will be talking only about government bonds when I use that term in my short address.

In order to put a benchmark for this talk, I'm going to use a definition from Ben Graham which is: investing is a process which, after thorough analysis, promises the preservation of your capital and some return.

That's really why I am quite interested in bonds; I always have been. I have been a bond manager. Let me just put this proposition to you: where in the world can you get an investment which gives you 9.375 per cent income this year, next year and for the next 20 years, with virtually no chance of loss of your capital, and a reasonable probability of making 20 per cent or more on your money in the next two or three years—and with marketability so at any time you can change your mind and get out?

No, this is not Britain and it's not South Africa. This is right here in Canada, with the Government of Canada 9.375, 20-year bond. This is a unique situation. Whatever we think of these bonds, the people I talk to around the world rank this kind of bond as one of the best in terms of historical cheapness and attractiveness of the market for the next few months and years. They recommend it. Your attitude about bonds is probably scornful.

What about Mexico? Well, Mexico is a poor country, which has never had a domestic bond market. The U.S. pay issues which they have are down 10 per cent compared with the losses they have had on their currency of 60 per cent and their stock markets are down 50 per cent.

I don't even like to put Canada in the same category. I think I must say that Canada is so different from this. Canada has had the tradition of sanctity between the lender and borrower and we are really quite a rich country compared to Mexico. Our wealth is built on that simple concept that we honour our obligations. And I'm quite confident that what has happened in Mexico will never happen here, because of all the alternatives that face us as Canadians, that would be absolutely the worst.

But you would be concerned, I'm sure, about inflation. Inflation and bonds don't seem to match. We are prisoners of our own time-frame. If you have looked back in history, the best way to make money from 1920 to 1946 was through bonds. On the other hand, from 1946 to 1981, stocks were better than bonds. That's partly because the stock market was so extraordinarily cheap in 1946 and 1949. Since 1981, the bonds and stocks have moved about parallel to each other. I'm going to say that you now have a choice of both. While I'm going to espouse the bond side, I'm certainly endorsing stocks at the same time.

But to make a choice, you'd have to make some estimates of future inflation. And future inflation depends upon a lot of different figures which are coming out. Bond-market holders all over the world are watching those figures. They are not dumb people. They have experienced the time when inflation eroded the buy of the bonds in the 1946 to 1981 period. Therefore, once they see a symbol or a sign of any inflation, they sell the long-term bonds, and go into cash, causing interest rates to rise.

And I would say, and this is not starry-eyed idealism, that the bond-fund managers, of whom there are 40,000 or more around the world now, are enforcing that contract between lender and borrower in a way that has never been done before. If this persists for two or three years, we will have a whole new type of ball game—one which is much closer to the gold standard in the 1800s, and one which promises great, great prosperity. I think that if you look at those who benefit and at those who are hurt by inflation, the ones who are hurt most are real estate developers, largely because of the time-frames they have to operate in.

This brings us to global investing. Actually, in global investing you get a broader range of opportunities, with good-quality bonds, but you also get the opportunity to make or lose on the currency. It's strange though how countries, like companies, can sometimes get it altogether and have good economic growth, low inflation, steady interest rates and strong currency. When you have got that kind of combination, you have got an excellent bond environment.

I like German bonds at eight per cent. British guilds look good to me at eight and a half per cent. I think they will be down well below eight per cent by the end of the year. French bonds are in a similar position. I think the U.S. market will benefit not only from certain technical factors, but also because of a flight of money from more difficult parts of the world back home to the safe haven of their bond market.

I would like to make a forecast now. I expect that the bond market will be up sharply in the first quarter of this year, of course starting tomorrow. This is because we have a flat yield curve in Canada and the United States.

That leaves lots of room in the very short term to have that curve rise by quite a margin (as I expect it will) in order to quell any further inflationary worries.

Inflation is well under control. In the U.S., the consumer is over-indebted. In Canada, we are over-taxed. But the main reason why I expect an up-tick in the bond market here is: real rates are high. They are comparable to the period before the bond market rally in '84, '82 and also back in 1932. In the third and fourth quarters, I believe we'll have a really strong bond market.

Warren Buffet stated that there was no purpose of forecasting other than to make fortune-tellers look good. I'm happy to make fortune-tellers look good, but my own thought is that a forecast can stimulate you and your investment opportunities. I'm optimistic that we'll have not only a strong currency but a strong bond market. Thank you.

John Campion

As I've indicated Michael Landry is the President and Chief Investment Officer of Mackenzie Investment Management Inc. He has been involved in investment management for over 20 years. Prior to becoming President of Mackenzie Investment he was the Senior Vice-President and Global Portfolio Manager with Templeton International. He is a founding member and former director of the International Society of Financial Analysts and a former director of the Canadian Pension Fund Management and a co-manager of the Universal World Growth RRSP Fund. I would ask you please to welcome Michael Landry to speak to us on international equities.

Michael Landry

Thank you, Mr. Chairman.

It is a difficult time to be speaking about international investing. I just got off the phone with our Latin American analyst. The analyst was extremely optimistic about every country in Latin America besides Mexico.

I think we have to look at the world differently than we have in the past. Things have changed quite a bit. I think that is causing a lot of the confusion that we see in the market. Over the past five years, we have seen four billion new capitalists come into the system and that has to be taken into consideration in the investments. We've gone from a billion capitalists to five billion capitalists.

I just got off the plane after two weeks in the Far East, in almost every country along the Pacific Rim. The business activity that's going on does not match the negative attitudes towards emerging markets, towards Hong Kong for example. There is so much opportunity out there at this particular time. At this juncture, I think we should be a lot more positive, not only about the prospects for the Canadian market, but, I think, for the prospects of most international markets. But, as usual, I think you have to be selective.

I'd like to start by saying that global competition isn't going to go away. So we have to look at the companies that have done the right things, wherever they are, in terms of restructuring, whether it is closing marginal plant facilities, getting wages in order, or doing whatever it takes to be able not only to stay in business but increase profits, equity return, assets, and all the important numbers that the analysts look for.

First of all, we expect that interest rates over the year will go down as people see that inflation is not going to be a problem. Technology is changing, that so I think that long-term interest rates probably will come down 50 basis points or more. Short rates will go up. The market is expecting that. But we'll learn to live with that. We had very strong markets in the 80s, when we had short rates that were much higher than that. People will adjust to that. Where do we think the best values are? Well, first of all, we think the economy will continue to be led by investment spending. So the capital goods companies will continue to do well. The technology area will give a positive impetus towards lower inflation. Another area in the United States that we think will do very well is that of the small capital emerging growth stocks. Emerging growth stocks are halfway through a bull market. This started about three and a half years ago. Right now you can buy stocks that are growing at 25 per cent per annum in the U.S., at market multiples around 16 and 17 times. As we get more and more mature markets in that area, a multiple expansion should give some substantial returns to well-managed emerging growth stocks.

Looking over to Europe we should see some strong markets, a return to what we saw back in 1993. Of the best value in Europe right now (in terms of a bigger market) is France. The market is selling on perspective earnings of 10 to 11 times next year's earnings. There's been substantial restructuring among French companies, whether in the cyclical stocks or in the financial sector. So that's the market that we expect should do best next year.

Germany still has a lot of problems. They are trying to integrate such a large population from the former East Germany. They have one of the highest wage levels there in the world because they have been integrated with the rest of Germany. They have one of the lowest productivity rates at this point because of moderate plant facilities. This will change over time.

The Spanish market looks very cheap at this particular time. They've learned how to be corrupt like the Italians did. That's just a joke, but they've learned about corruption and scandals and that sort of thing. But it provides buying opportunities. The Italian market is selling on next year's cash flow at about 3.8 times.

I'd like to look at Hong Kong for a second. I know we see a lot of press about an inflated real estate sector comparable to Japan. Well, there are a lot of big differences. In Japan, when it has its inflated real estate sector, you have stocks selling at 60 or 70 times earnings. We've got stocks selling in Hong Kong on next year's earnings at less than 10 times. The market in general is selling at about nine times next year's earnings. We've got corporate property growth over the next five years at 15 to 20 per cent. So the economic prospects are extremely good. Well, what about 1997? As Li from Singapore said, " What happens after 1997? 1998." That's it. It's going to be business as usual, and so there's very, very good value there. The market is off somewhere around 35 per cent last year. It's down some more this year quite a bit. It is a tremendous buying opportunity.

It is expected that 60 per cent of world output in the next 25 years will come from developing nations. Within five years, there'll be more world output from developing nations than the developed nations. So you have to take that into consideration in your investment programme. And in Asia, some of the countries that look extremely attractive, especially on a valuation basis are Indonesia, Korea (particularly on a cash flow basis), Malaysia and Taiwan.

But you always have to take into consideration how much you pay for something. In South America a lot of extremely good value has been created by the Mexican situation. Canada isn't similar to Mexico; nor is Brazil, Argentina or Chile. The fundamentals are extremely different. Whereas Mexico only had 15 per cent of its GDP in exports, Brazil, Argentina and Chile are substantial export countries.

So all that's happened in the past little while has created a tremendous buying opportunity in these markets. The market we like in that area the best, because of valuation, is the Argentinean market, which was significantly undervalued. In the last few days, we have been buying utilities at five and six times earnings, with yields of over 10 per cent in Argentina and with growth rates of 15 to 20 per cent. So we're very positive about some of the countries in Latin America.

Again you have to be selective. Not all companies are going to do well. You have to pay attention to how much you pay for things.

I'd like to say that Canada and Australia will probably do well, because commodity prices should be very firm over the next year and in the years to come. We expect commodity prices will remain firm over the next three to four years, if not longer. And that's very good for Canada. That'll be very good for the dollar here. And it will be good for the markets.

So I would like to finish by saying that as we move to the next century, the world will be a lot different than it is today. New economic players are going to emerge, and it's going to be important for everyone to identify those and to make investments. At the turn of the century, the British identified a lot of investments overseas, Canada was an emerging market and so were Argentina and the United States. The United States and Canada got it right for most of that period. Unfortunately Argentina didn't. But it is interesting to note that by 1915, 50 per cent of the British portfolio holdings were in emerging markets at that time. So this is not a new phenomenon.

It is another turn of the century. There are new things going on, and I think we have to open up our minds to those things, and look at volatility as an opportunity rather than as a crisis.

When it comes to RRSP investing, there are now ways to invest in RRSPs on a world-wide basis. I think that investors should take some of their money and put it overseas. Even though Canada looks like a very attractive market for the next year or two, the number one notion in investing is diversification. Any time you can increase your diversification, the better off you are. Canada isn't any bigger, from an economic standpoint, than California, and a Californian would never think of just putting all of his investments in California. Putting all your investments in one country is no different than investing only in stocks that are located east of the Mississippi. Make sure you open up your universe and have as much potential as you can. So I will leave you on that note. Thank you very much and good luck in your investing in 1995.

John Campion

Our final speaker today is John Zechner who, as I have indicated, is the Chief Executive Officer of his own investment counselling firm. This firm was established in June of 1993 and has grown in the first 18 months of its existence and has assets under administration of some $900 million. The Canadian International Group of Funds became his first client and he currently manages the top performing CI Canadian growth and CI Canadian Balanced Funds. Mr. Zechner graduated from the University of Western Ontario with a Masters degree in Economics in 1980. He spent time working for External Affairs and Bell Canada in Ottawa. He began his career in the investment field in 1983 with Pitfield, Mackay Ross in Toronto and later joined the Morgan Group as a portfolio manager. In 1987 he became a partner in Andy Silos Associates and was an investment counsellor with Elliot & Page as a lead equity manager. I would ask you please to welcome John Zechner to speak to us on Canadian equities markets.

John Zechner

I want to outline a few things today. I'd like to talk a little bit about the Canadian market going forward, some of the good news I see coming out of corporations, some of the bad news I see and just some of the overview of the economy.

I think when you are looking at stocks and bonds in Canada or in any country, you've really got to focus on one thing. These are financial assets, not real assets. I have no doubt about where the economy has gone in the past year. You can see the growth rates there. You can see the huge corporate profit growth. But when you think of it, last year in Canada we had corporate profits growing over 100 per cent. We had an economic growth rate that led the OACD, and it will probably come in by year end around five per cent. And we had a measured inflation rate of basically zero. How could you expect a better environment for financial assets? And yet the TSE was down about three per cent on the year, and bonds were down double digits.

So there is a real separation of what is going on in the real economy and what is going on in the financial economy. That's why I start to focus a little bit more on what's going on with the U.S. Federal Reserve and where interest rates are going this year. Maybe I spend too much time trying to figure out what Mr. Greenspan is actually up to. But if you can tell me what he is going to be doing this year, I can tell you exactly what I want to do in the market.

Last year was a classic example. You could have every economic earnings release a week in advance. I doubt it would have helped you make more money than you would have made without them. It was that type of a year.

Though looking forward, let's get this right first. Figure out where interest rates are going. If Alan Greenspan is going to come out aggressively and push up interest rates another two or three hundred basis points, bonds may ultimately rally on that, but we are not going to have good stock markets.

So I try to figure out what is occurring in the U.S., and why the Americans have been so aggressive on short-term interest rates. Well the main reason seems to be the end of the worries about inflation. I don't think inflation is going too much higher.

Look at some commodity prices. Fertilizer prices are up. A lot of costs associated with final producer or consumer prices are coming down. Even wage pressures are non-existent right now.

Why aren't corporations suffering profit decreases because they have to absorb the higher prices? Well, because technology, downsizing, restructuring and improved productivity have all improved the cost structure of these companies during the last couple of years. The auto companies are more efficient.

What's been going on in corporate Canada? We have got a lot of companies that have achieved substantial turnarounds in Canada. I'm going to see great profit growth going forwards. I'm very positive on what's happening on the corporate side. I think corporate Canada has largely done its job, and has done the cost restructuring.

I don't think we'll get run-away inflation in the next couple of years. I think we are starting to see some slowdown in the increases in short-term interest rates. Inflation is not coming back in a big way. So real interest rates are higher than they have been in decades. At some point, that's going to make a difference, whether it happens today, tomorrow, next week, or next month.

I'm getting very comfortable. I was starting to put money into the long end of the market. There's still some risk from the currencies but there I'm a little bit more bullish on the North American side than the rest of the world. I think the U.S. dollar is probably our key starting point. And the U.S. dollar to me is an extremely undervalued currency. I think there has to be a little bit of a restructuring of currencies out there, and I think the U.S. dollar will end up being one of the big winners. So that it is the view on the currencies.

Going forward to the stock market, this could work out very well for Canadian stocks. We're still going to have an economy going forward at a pretty strong rate. We are going to have corporate profits growing, as I say, better than 50 per cent. I still see some benefits here. I think there's a lot of opportunity in the Canadian market going forward.

That's the good news. I'm going to talk about the companies, and a few other things. Let me give you, quickly, the bad news out there. Unfortunately, the bad news is that the deficit is going to come right back. This has not been addressed properly. It is talked about; some people say the government is addressing it slowly; it is not happening fast enough. We cannot go into the next downturn basically with a $25 or $30 billion federal deficit. This has to be addressed now. I think they are going about it the wrong way. You have to change the mentality of Canadians in general. You have to sell this idea like any product or anything else. This has to be marketed. Canadians are still believing too much that with a few more taxes on the rich, and a few more taxes on corporations, this problem will be gone. Well, did we not learn anything from Massey-Ferguson moving to Buffalo and taking all the tax revenues away? These companies can move anywhere in the world. If they don't like it here they'll move elsewhere, and 60 or 70 per cent of nothing is nothing. So this is not the way to address a deficit problem. The mentality has to be changed.

This is the time to do it. We've had the creation of over 300,000 jobs in Canada in the past year. We have got on the leading OECD growth rate right now and have low inflation. This is the time to cut the deficit. We can't go into the next downturn with this. That is a negative. I say that corporations have done their job. It's not necessarily the government's fault. The government is just a manifestation of the people. Thank you very much for listening. That's my part.

The appreciation of the meeting was expressed by Blake Goldring, Senior Vice-President, Sales and Marketing, AGF Management Limited and a Director, The Empire Club of Canada.

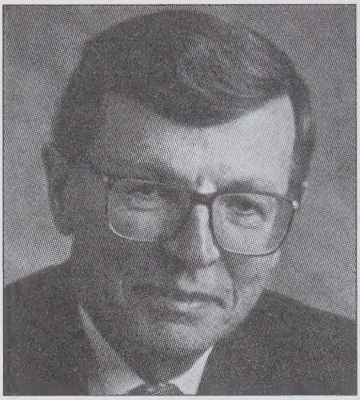
1903
EMPIRE CLUB
CANADA

John Zechner, CEO, J. Zechner Associates, Michael Landry, President and Chief Investment Officer, Mackenzie Investment Management Inc., Warren Goldring, Past President, Toronto Society of Financial Analysts and John A. Campion, President, The Empire Club of Canada.

John Zechner, CEO, J. Zechner Associates, Gilles Ouellette, Executive Vice-President, Nesbitt Burns, and Blake Goldring, Senior Vice-President, Sales and Marketing, AGF Management Limited and a Director, The Empire Club of Canada.

EMPIRE CLUB
CANAD

Warren Goldring, Past President, Toronto Society of Financial Analysts, John Zechner, CEO, J. Zechner Associates and Gilles Ouellette, Executive Vice-President, Nesbitt Burns.



September 23, 1994

The Hon. Roy MacLaren

Minister for International Trade

MOVING NAFTA FORWARD

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Alfred Apps, President and COO, The Lehndorff Group and a Director, The Empire Club of Canada; The Rev. Douglas Stout, Minister, St. Clement's Anglican Church; Gerald Doucet, President and CEO, Canadian Gas Association and former Ontario Agent General in Paris; MGen. Bruce J. Legge, Partner, Legge & Legge and a Past President, The Empire Club of Canada; Lea MacLaren; The Hon. David Smith, Chairman, Fraser & Beatty; Tom Wells, President, TLW Consulting, former Agent General in London and a Director, The Empire Club of Canada; Len Crispino, President and CEO, Ontario International Trade Corporation; Linda Smith, Senior Vice-President and General Manager, Fleishman-Hillard Canada; The Hon. Ronald Atkey, Partner, Osler Hoskin & Harcourt; and Peter Munk, Chairman and CEO, American Barrick Resources Corp.

Introduction by John Campion
French Revolt, British Trade

The French Revolution in 1789 amazed contemporaries as time after time, angry and excited crowds succeeded in overturning government that previously had the aura of medieval permanence and divine authority.

In the same period, the Industrial Revolution, though little noticed at the time, now amazes readers of history. Ideas and aspirations, self-interest, hunger and fear played their roles in both revolutions.

Fundamental forces which altered the patterns of political and economic conduct of human affairs in the late 18th century were population growth, technology and trade.

In response to these new pressures, France exported her revolution throughout Europe. Great Britain exported goods and people over the world to create a system of power through trade that endured into this century. That system of power was to be overtaken by successive and rapid changes in the 20th century. The changes of the last 240 years, driven as they were by massive changes in technology, population growth and trade, all have a familiar ring to those of us living in this decade. Yet, guiding ourselves into a safe and prosperous future is fraught with as much uncertainty today as it was in 1789. The world's present population boom and the new electronics-driven industrial revolution admits to no easy roadmap to prosperity.

Over this period, there was no more important determinant of success for individual societies than trade, both internal and international. Political and economic policy, available human and material resources, communications, education, technology and individual effort were all determinants in the success of trading countries.

Let me comment on the importance of policy as a determinant of success in trade, namely policy and individual effort.

In 1820, when world trade had slumped to new lows in the post-Waterloo depression, a brilliant, foreign-born businessman and economist, David Ricardo, appeared before a House of Commons committee in London and, despite his shrill voice and broken speech, proved to be the most influential of all witnesses on currency matters. He persuaded the government of the day to adopt a partial gold standard, making the Bank of England's gold available in standard-sized ingots ("Ricardos") for merchants to make foreign payments. This single policy decision about the convertability of currency led to an immense increase in world-wide confidence in the British economy, intensified manufacturing and commerce, brought the American economy out of depression and expanded world trade.

A single policy decision had released the world to a new wave of prosperity and material well-being which lasted until the advent of World War I.

In our country, policy debates over trade have been a prime focus for public debate since 1840. That debate intensified in 1867, 1911, in the 1950s and in the 1980s. These fundamental debates continue to this day.

Roy MacLaren in his short term in office has seen to the conclusion of two historic trade agreements—the Free Trade Agreement with Mexico and the United States and the final round of the GATT negotiations. The full implications of the adoption of these policies will be for future generations to determine but their significance is unquestioned.

He has made a remarkable individual effort; not only in Washington, Ottawa, Mexico City and Marakesh, but in trade trips to China, India, Europe and elsewhere in the world. The Minister has guided Canadian companies looking for foreign markets for Canadian goods to all parts of the globe.

As a former Canadian diplomat, businessman, director of prominent Canadian companies, and as a former Minister of the Crown in Prime Minister Trudeau's government and now as Minister of International Trade, The Honourable Roy MacLaren has made a major contribution to Canadian trade.

Roy MacLaren

Let me start by thanking The Empire Club for the opportunity to speak to you today.

"Revolutionary" is not a term that is typically used to describe Canada's trade policy. And yet, almost unnoticed, we find ourselves on the leading edge of an economic revolution that is transforming the Americas—a revolution as profound in its long-term implications as the changes underway in Asia, Eastern Europe and the former Soviet Union.

A clear expression of this revolution is Canada's decision earlier this year to enter the North American Free Trade Agreement with the United States and Mexico, building on our fundamental commitment to the expansion of multilateral, rules-based trade in the new World Trade Organisation which is to come into existence on January 1, 1995.

What NAFTA reflects—and reinforces—is the emergence of a more integrated North American economy; an integrated economy which goes beyond more intensive trade linkages to encompass converging infrastructures, common distribution networks, and an increasingly intricate web of cross-border production.

Nor is the movement toward closer economic integration limited to the northern half of the hemisphere. In addition to NAFTA, Mexico has entered into a free trade arrangement with Venezuela and Colombia. A revived Andean Pact will link the economies of Peru, Bolivia, Colombia, Ecuador and Venezuela through freer trade. And just this month, Argentina, Brazil, Paraguay, and Uruguay signalled their intention to move the Mercosur further toward a full common market. Nowhere in the world has the drive for economic liberalisation and reform been more vigorous and more far-reaching than in this hemisphere.

Yet despite these recent rapid advances, of late there are signs that this revolution of market liberalisation may be faltering. After playing a leading role in securing the successful conclusion of both NAFTA and the Uruguay Round of the GATT last year, the United States is in danger of losing its momentum for freer trade.

This danger is already evident in the context of current Canada/United States bilateral relations. Although we enjoy the world's largest trade relationship—one in which the vast majority of our two-way trade flows without impediment—we have encountered a number of invidious disputes that reflect, for the most part, the triumph of narrow, protectionist interests over a broader trade vision.

The related issue of NAFTA expansion, too, hangs in the balance. After initially embracing a vision of free trade from Alaska to Tierra del Fuego, some in the United States now talk of an undefined period of study and assessment, perhaps leading to a limited form of economic "association" between the original three members of NAFTA and the other countries of the region. Meanwhile, the immediate question of whether Chile can accede to NAFTA remains unanswered.

Largely in reaction to perceived U.S. uncertainty, other countries in Latin America have begun to re-evaluate their own options. Not surprisingly, separate bilateral deals—or even an exclusive South American free trade area—have for some begun to look increasingly attractive as the prospects for full hemispheric integration appear to grow dimmer.

The dangers of losing direction at this critical juncture cannot be overstated. Trade agreements are not static institutions. They are living, dynamic arrangements. Like bicycles, they require momentum. NAFTA has no choice but to move forward at this time—deepening its rules as well as broadening its membership—or it risks slipping backward.

For Canada, this would mean living with an agreement that is essentially unfinished—and, by extension, living with a growing number of imperfect solutions to the problems associated with closer economic integration. Any loss of momentum could also mean missing an historic opportunity to build bridges to the newly emerging economies of Latin America in a way that is both comprehensive and non-discriminatory. Perhaps most important, a loss of momentum could risk a fundamental change in the orientation of NAFTA itself from an open, dynamic arrangement, to a more closed, inward-looking bloc.

Certainly it is no secret that the increasingly cautious approach of the United States towards NAFTA expansion is fuelled largely by protectionist forces—forces just barely kept at bay during the difficult passage of the NAFTA legislation through the U.S. Congress late last year. Unless we can ensure that the NAFTA door is kept open to Chile, Argentina, and other would-be partners, there is a real risk that it will become permanently closed.

Nor is NAFTA the only regional game in town. Brazil has already launched a proposal to use the new Mercosur common market as the cornerstone of a wider South American free trade area. As a means of breaking down barriers in the region, liberalising trade, and drawing countries into an integrated economic space, Mercosur represents a bold and imaginative step forward, one which Canada encourages.

Nevertheless, it does not require a great deal of imagination to recognise that, faced with a closed NAFTA door, the countries of Mercosur would confront even greater pressure to carve out their own markets and to formalise their own distinct economic space, possibly by erecting exclusionary walls.

The danger, then, is that the dream of comprehensive hemispheric free trade would give way to the Realpolitik of competing regional blocs—the "them-versus-us" mentality so antithetical to further trade liberalisation and economic growth.

What we need at this point is an overarching trade and investment policy for the Americas—a larger, bolder vision that could serve to overshadow and ultimately overwhelm more parochial and divisive concerns. In short, we need a policy that reflects the openness, energy, and dynamism of our economies, that recognises the creative synergy that can emerge from the marriage of developing and developed economies and that reaches out to all countries willing to commit to more intensive, more comprehensive rules-based trade.

NAFTA can provide the foundation for such a policy. With the political will, NAFTA could be the nucleus for a wider free trade association that could in time include countries throughout the Western hemisphere and beyond. With the right commitment, it could emerge as a new kind of economic association, one defined not by geography, but by a collective commitment to deeper levels of free trade: the nucleus of a new global GATT-plus.

The underlying idea would not be to replace the existing multilateral system—still less to set up a discriminatory regional bloc—but to establish a coalition of countries willing to move further and more quickly toward the goal of trade and investment liberalisation. A wider free trade association could also be one engine to drive the more cumbersome but centrally important multilateral negotiating process that we all must encourage in the World Trade Organisation.

The original justification for the Canada-U.S. Free Trade Agreement—and the subsequent trilateral agreement with Mexico—was really just that: to push forward in areas where our degree of economic integration called for a deeper, more comprehensive regime of rules than the GATT itself could provide.

In areas such as dispute settlement, investment, trade in services, and procurement, NAFTA has already moved well beyond the kind of consensus that has been achieved in the larger and slower-moving multilateral context. In other critical areas—such as trade remedy law—Canada is working hard to deepen the agreement. Both Canada and Mexico have also signalled their desire to move quickly towards NAFTA expansion in the Western hemisphere. Although it is critical to get Chilean accession right, there is no reason why, in time, all countries that agree to abide by the NAFTA rules should not be welcome. Nor is there any reason to limit this expansion to the Western hemisphere.

The accession clause of the NAFTA does not speak of "western hemisphere countries," but simply of "countries or groups of countries." The acid test of membership should be a commitment to submit to the disciplines of the Agreement and a willingness to work together to push the trade and investment agenda forward.

For other countries in the hemisphere, the accession route offers entry into a dynamic, high-quality agreement that is already in place—no small advantage given the protectionist forces currently arrayed against additional trade liberalisation in the United States.

Not without scars, Canada has run the gauntlet with U.S. negotiators twice in the last five years—and we are the United States' largest trading partner. One can only guess how a Chile or an Argentina, standing alone, would fare against an increasingly restive and protectionist U.S. Congress. Equally important, NAFTA could serve as a bridge among the increasingly complex web of free trade initiatives that have proliferated in the Western hemisphere.

As for the three existing NAFTA partners, broadening the Agreement offers more than access to growing markets. It offers new partnerships and new alliances to tackle the hard trade issues of the future, and provides a more balanced negotiating framework in which to achieve these goals. It also offers us a powerful tool in our dealings with the rest of the world by demonstrating that those countries unwilling to move toward greater liberalisation risk being left behind in the wake of dynamic regionalism.

NAFTA has the potential to set in motion an external, competitive dynamic to reduce tariff and non-tariff barriers worldwide—the potential, that is, to kick-start a new round of global trade liberalisation. For ultimately it is to the multilateral trading system in general—and to the newly created World Trade Organisation in particular—that we must look for the long-term future of free trade.

Already the link between what we have done trilaterally and the broader multilateral trade agenda has been a direct one. For example, on the newly emerging issue of trade and environment, the discussions which have taken place in the GATT reflect our negotiating experience with the NAFTA side agreements. As we define the ambitious agenda for the World Trade Organisation, NAFTA could again provide a crucible for forging a new consensus and for developing new approaches as we seek to expand the boundaries of the rules-based trading system.

But the process must start now. Canada, the United States and Mexico have laid the foundations for a new kind of economic order. We have eschewed the constraints of a customs union or a common market in favour of a much more open economic area—one whose inherent dynamic is to reduce barriers and to expand to others. We have created an agreement that can move beyond "free trade" to address the need for closer economic co-operation. And we share an intellectual commitment, not simply to freer markets, but to the ideals of openness, liberation, and freedom—North America's enduring contribution to the onward march of civilisation.

For all of these reasons, we must set our collective sights on moving the NAFTA forward—on building a broader and deeper architecture. Trade agreements should not—and cannot—stand still. The European Union was created in the 1950s as a modest coal-and-steel accord between France and Germany. Today it is a supranational federation of 12 nations, poised to expand yet again. The Australia and New Zealand Trade Agreement has been augmented six times since it was concluded in 1983, including the addition of a 1990 provision to eliminate antidumping action between the two countries.

Changes of this magnitude require vision and political will. In the NAFTA, there are certain mechanisms to help make this happen; some 25 NAFTA commissions, committees and working groups will deal with the nuts-and-bolts questions of enhancing our free trade area. Public interest has understandably focussed on the Labour and Environment commissions, but there are other groups which will meet regularly to address the more prosaic stuff of trade—rules of origin, quality standards for agriculture, telecommunications standards, labelling of textile and apparel goods, temporary entry for business people, and so forth.

By far the most important and most far-reaching of these working groups are the two established recently at Canadian prompting to address the continued absence of common rules governing the application of trade remedy laws—laws which really have no economic rationale in a free trade area. We know that it will not be an easy task to agree on these issues; we also know that our success in this endeavour will signal whether North America's common economic interest can transcend narrow domestic concerns.

Another area where NAFTA—or a NAFTA-plus—can move forward is investment. Increasingly, servicing a foreign market means achieving a presence in that market, whether through joint ventures, strategic partnership or direct capital investment. Already we have seen spectacular growth in cross-border investment within North America itself and within the Western hemisphere as a whole. In a world where trade is not just about what you make, but about how and where you make it, an advanced investment code should be one of the central rationales of a NAFTA.

Here, as elsewhere, Canada can take a leading role, even in the face of apparent U.S. uncertainty. We have a unique opportunity to push the hemispheric agenda forward, a unique opportunity to help chart the trade policy map of the next several years or even decades. After all, the defining characteristic of Canada's foreign policy has been its commitment to international rule-making and consensus building.

Canada's security and prosperity have always been inextricably linked to the health of international systems. Our enduring strategy for working toward shared goals and interests has consistently been to build a shared architecture of international rights and obligations. When the countries of the Western hemisphere gather at the Summit of the Americas in Miami this December, Canada, at least, will have a clear message to deliver.

The appreciation of the meeting was expressed by Alfred Apps, President and COO, The Lehndorff Group and Director, The Empire Club of Canada.

W. Alfred Apps, President and COO, The Lehndorff Group and a Director, The Empire Club of Canada, The Hon. Roy McLaren, Minister for International Trade and The Rev. Douglas Stoute, Rector of St. Clements Church.

Mrs. Lee McLaren and The Hon. David Smith.

Peter Munk, Chairman and CEO, American Barrick Resources Corp., The Hon. Roy McLaren, Minister for International Trade and John Campion, President, The Empire Club of Canada.

October 14, 1994

Joint meeting of The Empire Club of Canada and The Hong Kong-Canada Business Association

The Hon. Mrs. Anson Chan

Chief Secretary of Hong Kong

HONG KONG IN THE 21ST CENTURY

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Duncan Jackman, Investment Officer, National Trust and a Director, The Empire Club of Canada; The Rev. Timothy Elliott, Minster, Christ Church Deer Park; Evelyn Huang, Author of *Chinese Canadians-Voices from a Community* and a Director, The Canadian Club of Toronto; C. M. Leung, Director, Hong Kong Economic and Trade Affairs; Daniel Hung, President, Hong Kong Canada Business Association; Mary Lou Benotto, Partner, Chappell, Bushell, Stewart and a Director, The Empire Club of Toronto; Herbert Phillipps Jr., President, The Canadian Club of Toronto; and Calum Johnston, Executive Vice-President, International Banking, The Bank of Nova Scotia.

Introduction by John Campion
What Marco Polo Knew

With the fall of the Berlin Wall, the command economies of the world, be they Communist or otherwise, were exposed as being unable to provide goods and services to their peoples in a way that could be favourably compared to the market economies of the world. The practical impact of the success of the market economy with its liberal form of participatory government has spread around the world and become the new ideology for world governance, business and trade. Some have speculated that the rise of market-driven liberalism is the end of history. It certainly seems to be the end of competing ideology. The economic and political theories of Marx and other command economy theorists are now exposed as leaky lifeboats in which to navigate the competitive waters of the new world economic order.

I would like to reflect upon one surprising factor; that is, the inaccuracy of the Euro-centric view of the origins of trade.

We in North America were taken by surprise as the people of Hong Kong and the Far East began after World War II to enter our markets with their goods. The people of Hong Kong and other Asian places seemed to enter the marketplace by stealth, starting small and growing rapidly. We now know the impact of Hong Kong on the world markets and trade is both striking and significant.

The Euro-centric view of this success is that trade began by European expansion, starting as early as Marco Polo in the late 13th and 14th centuries. It was continued with the success of explorers such as Diaz, Columbus, Magellan and others. As a result of their efforts, world trade became an increasing possibility. From the Euro-centric view of trade, contacts with China began with the Portuguese at Macau in the 16th century and with the British and others in the 19th century.

But this Euro-centric view of trade illustrates a blindness to history. The rise of long-distance commerce in Europe was paralleled with an equally powerful rise of long-distance commerce in China. There is no doubt that trade over great distances had its origins in Mesopotamia. The Moslems of the 7th century similarly brought trade to the Mediterranean and beyond. But the impulse to broader market behaviour over long distance was broadened remarkably by the Chinese commercialization of the 11th century. While China did not invent market articulation across long distance, it did affect the scale of which this behaviour would affect human lives. China acted as a great bellows fanning smouldering coals into flame in that early time. New wealth arising from 100 million Chinese began to flow across the seas and along the caravan routes and added new vigour and scope to market-related activity. The same upsurge of commercial activity took place in the Mediterranean in the 11th century as Italian merchants sailed from Venice and Genoa.

Both commercial successes struck at the rulers of old-fashioned command societies which were unable to dominate the behaviour of their peoples as thoroughly as they had in earlier times.

Thus, while history of trade would take a different course in Europe than it did in China in the ensuring centuries, the Chinese were early participants and contributors to the type of long-distance trade that now so dominates our world economic success. Coming full circle over 10 centuries, the City State of Hong Kong has rivaled and surpassed the success of those early traders.

The Honourable Mrs. Anson Chan, Chief Secretary of the Hong Kong government not only represents the commercial success of Hong Kong, but is also the first Chinese and first woman to ever hold the position. She is principal advisor to the Governor and Head of Hong Kong's 190,000 strong civil service. As such, she is responsible for the effective implementation of a whole range of government policies.

Anson Chan began her public service career in 1962 and has held many senior positions in the government of Hong Kong from that day to this, including cabinet-level posts on a wide variety of portfolios. She was awarded the Commander of the Most Excellent Order of the British Empire in 1992 and was appointed to the Executive Council in October, 1992. Please welcome The Honourable Anson Chan.

Anson Chan

Ladies and gentlemen,

I want to say, first of all, how much I value this invitation to speak to you today. I think it is a measure of the powerful links between our two communities that The Empire Club of Canada and The Canadian Club of Toronto have joined with The Hong Kong-Canada Business Association to organise this splendid lunch. I am very grateful to you for that.

The last time I was in Toronto on official business was in 1992, when I attended a Festival Hong Kong Business Seminar. In those days, I was Secretary for Economic Services, and I was able to report that business prospects in Hong Kong were very good. Happily, they are still very good, and I hope you will go away today with the conviction that they will remain so well into what we all believe will be the Pacific century.

Today I want to talk about why Hong Kong matters to Canadian business, and to speak from the perspective of someone who fully intends to stay and be a part of the post-1997 Hong Kong community. There are three reasons and, while they may be familiar to some of you here today, I think it is important to keep them in focus; to keep our eye on the ball, so to speak.

Firstly, Hong Kong is a good customer for Canadian goods and services. We are only six million people, but our imports from Canada are worth nearly $1 billion Canadian annually. We are the most open market in the world and we import more per capita from North America than anywhere else in Asia or in Europe. What is more, we are growing faster than other developed markets, at a rate of over five per cent per year. Our per-capita GDP has just overtaken those of Canada, the United Kingdom and Australia. And thanks to our very low taxes, Hong Kong consumers have much greater spending power than those in many other developed countries.

Secondly, Hong Kong is for Canada the pre-eminent gateway for business with China, as for every other country. Most of China's trade goes to or through Hong Kong. Hong Kong provides two-thirds of all the outside investment in China. In Southern China, Guangdong, the percentage is even higher. If you want to do business with China, Hong Kong has the connections, the local joint-venture partners, the experiences and the expertise that you need. So most Canadian companies doing business with China do so via Hong Kong.

Thirdly, Hong Kong is the most important international business centre in the Far East. Companies from all over the world, even from other countries in East Asia, conduct their regional business from Hong Kong. Seventy per cent of North American companies which have Far-East headquarters have those headquarters in Hong Kong. At last count, there were over 200 of them. And the same is true for Europeans and others. Indeed, there are some 80 Canadian companies with branch or subsidiary companies in Hong Kong. Another 500 Canadian firms are represented by distributors, agents or joint-venture partners. There is a very large and active Canadian Chamber of Commerce. In short, you will feel just as much at home in Hong Kong as I do in Toronto.

Hong Kong is the communications hub for the region, ideally placed for business with Southeast Asia, Taiwan, Korea and Japan as well as China. Most recently, we have been seeing businessmen coming to Hong Kong to explore new business opportunities in nearby Vietnam, for which—as for Guangdong—Hong Kong is the natural gateway. We are at the centre of the fastest growing region in the world, a region that is set to boom well into the 21st century.

It is worth examining in some detail how Hong Kong has been able to position itself as a place of such importance and attractiveness for international business. It is not, of course, simply a matter of geographical good fortune—a deep water port at the centre of the East Asian region. There are a host of reasons for Hong Kong's success in attracting international business.

We have efficient, open, honest and unobtrusive government. We provide the infrastructure within which business can flourish—the physical, educational and legal infrastructure. But we leave the rest to market forces. We do not hobble investors with Byzantine bureaucratic requirements. We do not seek to guide business. We seek to give business maximum freedom to make its own decisions.

Our immigration policies allow pretty well anyone in the world who can get a job in Hong Kong permission to work, to reside there, and to come and go freely. Procedures are simple. Companies can assign expatriate staff to Hong Kong with a minimum of bureaucratic hassle. There are now 18,000 Canadians living in Hong Kong.

Our tax rates are among the lowest in the world. We have just reduced our profits tax to 16.5 per cent for corporations (15 per cent for unincorporated businesses). We impose no tax on profits from the sale of capital assets and no tax on offshore trading activities. Salaries tax is a maximum of 15 per cent, and it is based only on salaries, and not on income from other sources, as is often the case elsewhere.

Our legal system is well established and familiar to Canadian businessmen and lawyers. We have a comprehensive body of commercial laws, which provides effective enforcement of contracts and protection of rights. We have a comprehensive body of company laws, which makes no distinction between foreign and domestic firms. We have an independent and impartial judiciary, an efficient police force and a separate anti-corruption police force—the Independent Commission Against Corruption—which has helped make Hong Kong one of the cleanest places in the world to do business.

Hong Kong's social and educational infrastructure also supports its position as an international business centre. We have international standards of education with five universities offering internationally recognised degrees. There is a particular emphasis on business studies, and on science and technology. And emphasis on English and Chinese language studies—the language of international business and the language of the world's largest new market. And for Canadians, there is a Canadian International School.

Hong Kong residents enjoy international standards of human rights and freedoms, the kind of rights and freedoms that people enjoy in this country, in Japan and in Europe.

I could go on, but I hope my point is already clear. Hong Kong's position as an international business centre is founded on a multiplicity of factors, which together amount to its whole way of life. A way of life that is at the same time Asian and not alien to Westerners and others. A way of life that is international.

Will it continue to be so after 1997? On the part of the Hong Kong government, let me say at once that there is absolutely no doubt that all the factors that I have just listed must be maintained if Hong Kong is to flourish in the next century. They are not luxuries. They are essentials.

The Joint Declaration, signed by China and Britain in 1984, covers these points in detail. It says that Hong Kong will continue to have its own government, composed of Hong Kong people. It says that China will not send officials to work in the Hong Kong government, except for the 20 or so top posts. The Joint Declaration says that Hong Kong will continue to have its own freely convertible currency, that we will run our own economic, financial and fiscal affairs and that we will be autonomous in everything other than foreign affairs and defence, which is the case now under British sovereignty. The Joint Declaration guarantees that our laws will continue, as will our separate legal system, our independent judiciary (including a Court of Final Appeal), and the rights and freedoms that Hong Kong people now enjoy. So the Chinese recognised in 1984, when they signed the Joint Declaration, what was necessary to underpin Hong Kong's position as an international business centre.

I recall that there was a great deal of international surprise at the time, followed by quite a bit of scepticism as to whether the "one country, two systems" concept would really work. This was not surprising, given that it was such a unique concept. But those who in the mid-80s were predicting that Hong Kong was destined to run downhill well before 1997 have been proved wrong. And if they failed to put their money where their mouths were, they missed out on a great investment opportunity. Hong Kong's GDP has doubled since then. Our Stock Market capitalisation has increased thirteenfold and the index is up 700 per cent. We are now the eighth-largest trading economy, even though in terms of population we rank only 89th in the league table.

With less than 1,000 days to go before the change of sovereignty, business confidence remains strong. Our economy remains robust. Polls repeatedly show that people are bullish about the future, and generally satisfied with the government's handling of future-related issues. As Chief Secretary, my top priority and my biggest challenge is to help make a success of the transition to Chinese sovereignty in 1997, to ensure that the Government is in the best possible shape to continue serving the community after the end of British rule. This means maintaining an efficient, dedicated, and honest administration. Civil service morale is good, though confidence cannot be taken for granted. Like myself, the great majority of my colleagues want to continue to live and to work in Hong Kong after 1997. They want to continue to work for Hong Kong, just as they work for Hong Kong now. For us it is not a matter of working for London now and working for Peking after 1997. It is Hong Kong now, and it is Hong Kong in the future.

I have heard businessmen say that surely, in some way or other, standards will slip after 1997. Government will become more bureaucratic, less efficient, and perhaps corrupt. But a government is only the people who work in it. I can assure you that none of us have any intention of working less efficiently, less imaginatively, or less responsively than we have always worked. It is our culture, our way of life. As for corruption, we are determined that the battle that Hong Kong fought so successfully for 20 years should not be lost now, at a time when frankly, reports of corruption are on the increase. We are currently conducting a review of the powers conferred upon our Independent Commission Against Corruption and its system of accountability to ensure that it continues to function effectively with maximum public support. The ICAC is offering all possible assistance to the private sector. This assistance includes advice to an increasing number of PRC firms doing business in Hong Kong and practical help in drawing up a Code of Practice and introducing measures to minimise the scope for abuse.

Within the administration, we shall continue to insist on the highest standards of honesty and openness. And in the legislature, we have recently enacted legislation to ensure that the next elections, in 1995, will be conducted cleanly and fairly. It was over these electoral arrangements that talks between Britain and China failed last year. The talks were not about democracy as such. The pace of democratic development had already been agreed upon and is set down in the Basic Law—China's mini-constitution for Hong Kong after 1997. The Basic Law stipulates a timetable for the increase in the proportion of the directly elected membership, effective until the year 2007, at which point Hong Kong may decide on its own whether to have a fully directly elected legislature. The purpose of our electoral proposals was not to challenge the Basic Law in any way, but merely to ensure that the arrangements for the elections themselves were open, fair and acceptable to the people of Hong Kong.

We have just completed the first round of elections under the new arrangements. And they were a considerable success, with about a quarter of a million more people voting than in the last local elections in 1991. Interestingly, but not altogether surprisingly, candidates who were directly or indirectly pro-China did very well. Overall, the election produced a relatively good balance of opinion within the community, which is surely a healthy development.

We believe, however, that co-operation with China in other matters affecting our economy and well-being can go forward. Governor Chris Patten announced a series of measures in his recent annual Policy Address to the Legislative Council with this aim in mind. We look forward to discussions with the Chinese on how to intensify co-operation on the many transitional issues that need resolution. Our view is that disagreement on one issue does not mean that we have to disagree on others. Talks between us are taking place on such vital matters as immigration and the financing of our new airport. On a range of day-to-day issues affecting our everyday lives, we already have regular and very good co-operation with our counterparts in China.

Our new airport is being built. Those of you who have visited Hong Kong lately will have seen that, in spite of the lack of an agreement with China so far on the financing arrangements, we have made remarkable progress. The new airport will be completed perhaps faster than any major airport ever has been, even faster than those that have been built on dry land rather than on land reclaimed from the sea. And it will have the capacity to be the world's busiest international airport in the next century. It is another example of Hong Kong securing its future as an international business centre.

I have heard it said, by some observers, that Hong Kong might somehow lose out to Shanghai over the coming years. As a Shanghainese myself, I hope that Shanghai does manage to develop itself into a great economic centre once again. And I would not see that as in any way a threat to my adopted home city, Hong Kong. Even if it were competition, and Shanghai continued to grow year after year at its present high rate of nearly 15 per cent, it would take 15 years for its GDP to reach the level of Hong Kong's GDP today. And Hong Kong, of course, is not standing still: we are growing at over five per cent a year. At that rate our GDP will more than double in 15 years.

But it is not, of course, competition. Hong Kong's investors are providing two-thirds of all the foreign investment in Shanghai. We see Shanghai's potential as an opportunity, not a threat. There is plenty of room for two prosperous cities within 800 miles of each other and plenty of business in China. Moreover, Hong Kong will provide for many years to come the kind of business services that Shanghai and other Chinese cities cannot provide for themselves. Shanghai companies are lining up for listings on the Hong Kong Stock Exchange because they recognise that point very clearly.

To sum up, Hong Kong in the 21st century will matter to China, to Asia and the rest of the world. It will matter to Canadian business as much as (if not even more than) it does now—as a prosperous, open and externally oriented market, as a gateway to China, and as business centre for East Asia as a whole. Canadian businessmen with keen noses for opportunities, will, I'm sure, not let this opportunity slip by.

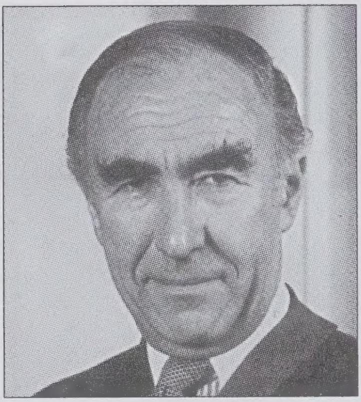
On that entirely justifiable optimistic note, let me thank you, ladies and gentlemen for this opportunity to address you this afternoon.

The appreciation of the meeting was expressed by Herbert Phillipps Jr., President, The Canadian Club of Toronto.

Herbert Phillipps Jr., President, The Canadian Club of Toronto, Daniel Hung, President, Hong Kong-Canada Business Association, Mrs. Anson Chang, Chief Secretary of Hong Kong, C. M. Leung, Director, Hong Kong Economic and Trade Affairs, and John A. Campion, President, The Empire Club of Canada.

The Hon. Mrs. Anson Chang, Chief Secretary of Hong Kong.

Her Worship Hazel McCallion, Mayor, City of Mississauga and Mrs. Anson Chang, Chief Secretary of Hong Kong.



August 29, 1994

Joint meeting of The Empire Club of Canada and The British Canadian Chamber of Trade and Commerce

Sir Paul Newall

Lord Mayor of London

LONDON: THE LEADING CENTRE FOR INTERNATIONAL FINANCE

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

Gareth Seltzer, Vice-President, Private Banking, Guardian Capital Advisors and a Director, The Empire Club of Canada; The Venerable Jim Boyles, Archdeacon and General Secretary of the General Synod of the Anglican Church of Canada; Robert Huget; Nick Chamberlain; Peter Davies, British Consul General; Robert Dechert, Partner, Gowling, Strathy & Henderson and a Director, The Empire Club of Canada; Sheriff Jeremy Gotch, City of London; and Her Worship June Rowlands, Mayor for the City of Toronto.

Introduction by John Campion
Niniveh and Tyre Annex London

The city is a romantic notion that conjures up such exotic historical places as Niniveh, Tyre, Athens, Rome, Alexandria and Venice.

In more recent times, the city has become one of the central units whereby humankind has sought to organise itself in its highest and most complex of structures. Indeed, it is difficult to imagine a central public policy issue in the world today that does not involve the city: population growth, communications, cultural and educational activity, transportation, politics, economic activity from capital flows to manufacturing and social issues including crime, poverty and the environment; the list could go on. Some would have it that our cities are on the verge of becoming ungovernable and others would have it that our cities are an example of the greatest flowering created by humans.

Whatever your view, there is no doubt that the major cities of the world have become as significant as many nation states. The citizens of Singapore and Hong Kong have created two of the world's largest economies, with no rural hinterland at all. For instance, Hong Kong has a per-capita gross domestic product of over $9,500, making the city far wealthier than Greece or Portugal. Los Angeles produces $250 billion worth of goods per year making it one of the largest economies in the world.

London is one of the oldest and greatest modern cities of our time. The British were the earliest urbanisers. By 1800, 25 per cent of that country's population lived in cities. From 1800 to 1850, England led the world in the annual rate of urbanisation with 36 per cent. By 1851, 38 per cent of the population of Britain lived in urban areas of over 10,000 and 50 per cent of the population lived in urban areas of over 5,000. The City of London was and remains the central urban area in the British development of urbanisation and one of the great cities of the world. Perhaps the greatest English economist—Jevons—best captured the power of the City of London in 1865 when he exulted in the euphoria of Empire:

"The plains of North America and Russia are our cornfields; Chicago and Odessa are our granaries; Canada and the Baltic are our timber forests; Australasia contains our sheep farms, and in Argentina and on the western prairies of North America are our herds of oxen; Peru sends her silver and the gold of South Africa and Australia flows to London; the Hindus and the Chinese grow tea for us, and our coffee, sugar and spice plantations are all in the Indies. Spain and France are our vineyards and the Mediterranean our fruit garden, and our cotton grounds, which for long have occupied Southern United States, are now extended everywhere in the warm regions of the earth."

In Canada, it has been suggested that, if Quebec ever separates, that Toronto should become a separate province. Whatever the outcome of this debate, it shows the enduring reach of the city-state.

The City of London runs from the Royal Courts of Justice in the Strand to Allgate in the east and the Thames River in the south to the City Road in the north. The Lord Mayor's position is an elected one, taking on a tradition that started in 1189. He has a role which is unique in the governance of cities in the world. He presides over the corporation of the City which has sizeable business and charitable functions; he is called upon to entertain heads of state when they are visiting Britain and has a major role to play in representing the City outside Great Britain in the world at large. It is an honour to welcome The Lord Mayor to our podium today.

Paul Newall

Mr. President, Vice-President, Madam Mayor, Consul General, ladies and gentlemen: Mr. President, thank you for your kind introduction. I'm aware of the eminent role that The Empire Club has played in the public life of this great city and of Canada as a whole, and of the role that The British Canadian Chamber of Trade and Commerce has played in promoting our bilateral business links. I seem to be in very distinguished company today. I'm minded to quote Henry Kissinger, when he said that he hadn't seen so much wit and intellect in one room since he stood in the great hall of mirrors in Versailles.

Now you should know that Canada and Canadians have a very special place in the affections of all in Britain. Every schoolchild in Britain learns of this vast, exciting country with the relatively small but vibrant population. Here is a country which is the seventh-largest in the world in terms of two-way trade, a trusted member of the old Commonwealth, a nation which has displayed leadership in peace as in war—in Europe and in Britain. We have just this year commemorated the D-Day landings, as Canadians just have, and that has reminded us all of our shared dangers, shared sacrifices and shared values. And it has reminded us in Britain of the tremendous help that Canada's people, Canada's government and Canada's armed forces played in the freeing of continental Europe, and indeed in the survival of Britain as a free country. That's part of our shared history.

Today, Canada is part of the North American Free Trade area with 360 million people, the second-largest free-trade area in the world. But I'm sure you're aware that the largest with 380 million people and the geographically most compact is the European economic area. It'll be the fastest growing. Already a future expansion is planned with the participation of East European countries such as Poland, Hungary and the Baltic States, leading to a free-trade area of well over 400 million people within a few years. And this is, I suggest to you, important for Canada's perception of Europe as a growing, dynamic market for Canada's businesses and manufacturers and Canadian businesses that have invested in Britain have clear advantages and benefits.

In Britain, we have government policies which favour and encourage overseas investment. We now have the most modern, international telecommunications base in Europe. The U.K. is a low-tax country with the lowest corporate tax rate of the major European countries—33 per cent. Compare France with 34, Italy with 36 and Germany with 50 per cent. And now, the United Kingdom has the lowest unit labour costs. The index for 1992, taking in the United States on 100, shows the U.K. on 92, France on 112, Italy on 133 and Germany on 169. That's nearly 75 per cent more than the U.K. And just out is a report by international financial consultants Ernst & Young which reads: "North American companies are seeing the comparatively low labour costs and favourable regulatory-free atmosphere of the U.K. as a perfect springboard into the continental mainland European markets." The United States Department of Commerce statistics show that the cost of doing business in Britain is half of that in Germany. That's why BMW are now looking to invest in Britain. In 1993 the figure for working days lost in strikes was the lowest ever recorded. We have a work force ready to go to work.

So all this tells you, perhaps, why we have recently been the focus of so much new Canadian investment in Britain. Indeed, well over 50 per cent of Canadian investment in Europe has come to Britain. Our attitude towards overseas companies is a key factor. Attitude is important. There is no customer reaction against overseas companies in Britain. They have free access to government contracts and municipal contracts. They receive equal treatment in our courts of law. Once you set up shop in Britain, you're British as far as we concerned. Thirty-two foreign companies received the Queen's Award for Exports in Britain in 1993. A company doing business becomes one of us immediately. This is in marked contrast to some of our European friends.

The real decision makers today are in the boardrooms of multi-national companies across the world—investors, manufacturers, banks, securities houses, including those from Canada. They know that they have in Britain the finest international financial centre. These are the people who make the decisions to locate, to build plants, to acquire, to invest, to position their corporate headquarters and their manufacturing plan for the growing European markets. These decision makers are now asking hard questions: "What does the growing European economic area mean for Canada? What does the U.K. represent within the EEA? What does London represent?" Well, Britain is your best fast-track into Europe. Britain is leading Europe out of recession. We have low interest rates, low inflation and have now enjoyed eight quarters of uninterrupted growth. Britain welcomes Canadian investment, but as you know, trade and investment are a two-way street. Britain is the second-largest foreign investor here in Canada. In fact, British direct investment in this country is larger than that of all the European union countries combined with a total of $18 billion Canadian—which is, incidentally, three times that of Japan.

Now that's important to us in the City of London. The London financial market is a vital source of international capital for Canada. Indeed, in addition to that, U.K. residents and institutions holdings of Canadian bonds now total $24 billion Canadian. That's up from $6.3 billion in 1987. Indeed Canada is a major user of London's capital markets, and, of course, Toronto is the financial capital of Canada.

And London is now not just the financial capital of Europe. It has become, as the card in front of you all shows, the leading centre for international financial activity world-wide. London is the number one centre for foreign-exchange trading, for the daily turnover is as much as New York and Tokyo combined, and, incidentally, over five times that of Frankfurt. We are the world's leading centre for international banking. Five hundred and twelve foreign banks are represented in London, more than in any other city in the world. In our city, nine Canadian banks and securities houses alone employ 3,000 personnel. London is the world's leading centre for international equity trading, with 58 per cent of the global market and 90 per cent of the European market in cross-exchange dealings. We're of course by far the largest stock exchange in Europe. London is the home of the international bond markets, the only large multi-currency bond market in the world. Over $400 billion was borrowed through London in 1993 and so of course we are also the main centre for international bond trading, and for international cross-border mergers and acquisitions business. Within Europe, 80 per cent of all assets managed for institutional foreign clients are managed in London.

In the City of London, we house the leading financial commodities and options markets in Europe, the International Petroleum Exchange, the London Metal Exchange, the London Commodities Exchange, and the London International Financial Futures Exchange. Add all of these together and you have the broadest markets in the world. The London metal exchange, as you would know well, is the largest terminal market for base metals.

Most of the world's pricing for zinc, copper and nickel is based on the LME pricing mechanism. It does a huge business with Canadian firms like Falconbridge, Inco and Noranda. We have a thriving commodity exchange in soft products—coffee, cocoa and sugar—dealing in both options and futures. The International Petroleum Exchange is the only oil futures exchange in Europe. Our financial futures exchange is the second-largest in the world, second only to Chicago. Its business has enjoyed accumulative growth of 50 per cent per annum since 1982 and has doubled in the last 12 months. One of its strengths is that over 70 per cent of its membership is from overseas. And 10 to 15 per cent of its business originates in North America.

All of these markets are cleared by the London Clearing House (owned by the major clearing banks) which can assess the risk of individual areas across the board with a guaranteed fund of $225 million, the largest in the world. We have the largest insurance and re-insurance market in Europe, and the biggest in the world for aviation risks and marine insurance and we do 50 per cent of the world's ship-broking business. And all of this is supported by a comprehensive critical mass of international experts in international law, international insurance, international accountancy, international consultancy, international arbitration and actuarial work. Our commercial, contractual law is unambiguous, and is the basis of a growing percentage of world-wide commercial business.

All this depth and diversity is in one small square mile. As a telecommunications centre we enjoy the use of the most advanced technology expertise in the world. Canadian firms have contributed strongly to that. And it is no surprise, therefore, that Britain as a whole now houses by far and away more corporate headquarters than any other country in Europe.

London is truly an international city. Over 40 per cent of our financial work force is now employed by overseas firms. Well, why is this? A year ago a leading Danish diplomat said that there are three ways of doing things: the right way, the wrong way and the British way. But our way has been an open one, with a liberal, pragmatic approach to international trade. And that's been the way of the City of London for hundreds of years.

The most important thing to remember about London is that it has centuries of tradition as an international centre, stretching back to Roman times. Over those centuries, we have welcomed the Hanseatic league traders, the Flemish, the Huguenots and many others. The tradition distinguishes London from other centres. I've met and talked to over 150 overseas bankers in London in the last few months, and, as they put it to me, in London you have this stability of tradition and tradition of stability to ensure that overseas participants have always a warm welcome and, in most cases, prosperity.

These participants from abroad enjoy our housing on a human scale in London, our night life, our theatres, our restaurants, our great celebrations and our traditions. We have schools for all nationalities. London is a capital city full of learning, culture, sport and history. And we differ from other European cities in another way. Where else do you find foreign participants in the markets and institutions? Like Toronto, we're a great multicultural centre. A North American banker is now Deputy Chairman of our Stock Exchange. A German banker is Deputy Chairman of the Confederation of British Industries, London region. Sixty-nine per cent of the membership of our futures market is owned internationally. This is all part of our open-access internationalist approach, and this has helped to create truly a one-stop shop for international financial services. And the corporation of London, headed by the Lord Mayor, the local authority for the city, is dedicated to providing the optimum environment for the business community—an international business community.

The City of London and the corporation of London were not created by some administrative act or by Parliament. London is older than the British Parliament. They say that Westminster is the mother of Parliaments. You could say, of course, that Guildhall is the mother-in-law of Parliaments. But the city is not run by a set of rigid, bureaucratic rules. The Bank of England has always adopted an enabling policy to encourage overseas firms to participate in our prosperity. The City's world-wide success stems from centuries of developing financial and commercial life, of accumulating experience, of constant adaptation to changing markets, and, above all, of innovation to create new ones. We are indeed unlike any other municipality in the world. So for Canada, a major trading nation, Europe, the growing Europe, is important. In Europe, Britain is your best base. And, as Lord Mayor of London, I'm proud to represent the City which has the most international financial experts. We have so much in common and I'm so delighted to be here in Toronto with you all today. Thank you very much.

The appreciation of the meeting was expressed by Robert Dechert, Partner, Gowling, Strathy & Henderson and a Director, The Empire Club of Canada.

Peter Davies, British Consul General, Sheriff Jeremy Gotch, City of London, Jocelyn Badovinac, U.E., M.Ed., Sir Paul Newall, Lord Mayor of London and Ed Badovinac, Director, The Empire Club of Canada and Chairman of the Year Book.

Robert Huget, Sir Paul Newall, John Campion and Nicholas Chamberlain, President, Chamberlain Enterprises.

November 15, 1994

Joint meeting of The Empire Club of Canada and The Hong Kong-Canada Business Association

Peter Sutch

Chairman, Catchy Pacific Airways

RIDING THE DRAGON—THE SWIRE GROUP BEYOND 1997

Chairman: **John A. Campion**
President, The Empire Club of Canada

Head Table Guests

The Rev. Michael Barnes, Minister, St. Andrew's Presbyterian Church; Brian Robertson, COO, Hong Kong Bank of Canada, Philip Allanson, Immediate Past National Chairman, The Hong Kong-Canada Business Association; James Barrington, Vice-President, Cathay Pacific Airways, C. M. Leung, Director, Hong Kong Economic and Trade Office; Anne Libby, Co-Owner, Libby's of Toronto Art Gallery and a Director, The Empire Club of Canada; Brian Segal, Publisher, Maclean's Magazine and Senior Vice-President, Maclean Hunter Publishing Limited; and Daniel Hung, President, The Hong Kong-Canada Business Association (Toronto Section).

Introduction by John Campion
Trade, China and the West

The age of empire from which this Club takes its now quaint and historic name existed from 1875 to 1914. The historian, E.J. Hobsbaum, concludes that politically, it was this 40-year period of modern history in which the number of rulers who officially called themselves or were regarded by diplomats as deserving the title of Emperor was at its maximum.

In Europe, rulers in Germany, Austria, Russia, Turkey and Britain claimed this title. Two of these, Germany and the British in India, were innovations of the 1870s. Outside Europe, the rulers of China, Japan, Persia, Ethiopia and Morocco used this title.

By this time, the economic and military supremacy of the capitalist countries had long been beyond serious challenge but no systematic attempt to translate this economic and military supremacy into formal conquest, annexation and administration had taken place. Between 1880 and 1914, most of the world outside Europe and America was formally partitioned into territories under the formal or informal rule of countries composed mainly of Great Britain, France, Germany, Italy, The Netherlands, Belgium, the United States and Japan.

Nominally, the great traditional empires of Asia remained independent, though the western powers carved out zones of influence and directly or indirectly dominated trade.

Contributing to this political and colonial expansion, but not necessarily its sole driving force was the pressure of capital in search of more profitable investment, of production in search of markets and the necessary pressure of trade and movement of people following from the two.

In the centre of this potent mix of political and economic development, John Samuel Swire, born in 1825, turned in 1866 to China and Japan from his business of cotton importation in Liverpool. The American Civil War had disrupted the trade of cotton. Swire moved to Shanghai and opened an office almost 128 years ago to the day and began his business as a merchant.

The development, the set-backs and the further development of the Swire Group of Companies parallels the dramatic events of the age of empire, the cataclysmic military and economic events of this century, and the tremendous growth of international trade and commerce since the end of World War II.

Like this Club, the Swire Group has changed and developed into something modern and significant. Sugar refining, dock yards in Shanghai and later in Hong Kong, shipping, farming, cold storage, manufacturing, food and beverage production, insurance, property development and civil aviation make this group and its world-wide reach a paragon of industrial and trading activity in the post-Cold War world.

The colour and drama of the history of the Swire Group is too great to do justice to it here but suffice to say that our guest speaker, Peter Sutch, is a fine representative of this colourful background. He is now the Chairman of the Swire Group in Hong Kong, having been with the Group in various positions since 1966.

Like the famous builder of the modern Swire Group, Jock Swire, Mr. Sutch joined the firm when he was 20 years old. In 1913, the brilliant young Jock Swire, had joined the firm in Hong Kong, after graduating from Eton, University College in Oxford and developing a reputation as a horseman, cricketer and footballer. Peter Sutch worked in shipping and civil aviation with the Swire Group, ultimately becoming Managing Director of Cathay Pacific, the civil aviation company owned by the Swire Group.

Mr. Sutch is a member of the Board of the Hong Kong and Shanghai Banking Corporation, the Community Chest of Hong Kong and a member of the Governor's Business Council.

It is with great pleasure that I welcome Peter Sutch to speak to us today about riding the dragon—Hong Kong and China after 1997.

Peter Sutch

I plan to talk to you today about myths and realities: myths about Hong Kong, myths about China, myths about 1997, myths about the Swire Group and, perhaps, even myths about dragons.

I am not yet certain whether my timing is marvellous or terrible. At the end of a week during which Canada has sent to China one of the largest ever commercial and diplomatic missions, you are all either likely to be expert—in which case you will have no need of any myth-breaking thoughts from me—or deeply indigested by the subject of China—in which case I am likely to give you even severer heartburn. On the other hand, the mission may have awakened fresh interest in Hong Kong, China and the Asia-Pacific Region—in which case my timing may be marvellous. I hope it is the latter, because I think we at Swires have a fascinating story to tell.

Dragons in Chinese mythology are anything but malevolent or evil forces. They are awesomely powerful. They are also capricious. But they can also be a force for good. The rewards of living in the presence of a dragon can be immense—and, indeed, for Hong Kong over the past few decades, the rewards have been just that.

From the point of view of the international economy, the Chinese dragon was dormant until 1978, closed to all but a handful of intrepid adventurers and idealists. For Hong Kong, this was a nerve-wracking time, dominated by a constant fear of invasion—either by the Chinese army, Red Guards, or by waves of political refugees.

Since the dragon tentatively awoke in 1978, opening China's doors to international trade for the first time in almost 30 years, Hong Kong has surged through a golden period of growth rarely seen anywhere else in the world. Economic growth has averaged six per cent per year. Living standards have risen to levels close to those of Europe and North America, with earnings per-capita averaging U.S.$20,600. The territory has progressed from being the world's twenty-third largest trader to being eighth-largest.

The territory has also emerged as a fulcrum for trade and investment—not just between the West and China, but between the West and the fast-growing economies of the Asia-Pacific region. Changes are so rapid and so far-reaching that it is immensely difficult to keep pace with them. It is also virtually impossible for even the most serious-minded media to do justice to the transformation that is occurring.

There are observers who say that China cannot yet be called a democratic society in the Western sense. But, when I recall the China of 10 years ago, I am struck by how dramatically freedoms have grown—in particular, the freedom to travel. Our experience inside the Swire Group, as China's aviation market has opened up, is striking evidence of this, with our Dragonair subsidiary now serving 14 cities across the mainland.

I see economic growth and massive investment bringing gains to every region I visit. I see immense personal savings, fast-growing spending power, and people becoming able to buy many consumer items for the first time. I see a sensible devolution of power to China's 27 provinces—many of which are larger both in size and in population than many European nations.

While it is undoubtedly true that corruption remains a problem, as it is in many developing—and indeed developed—economies, I see the creation of proper civil service examinations, and the emergence of municipal and provincial officials through merit rather than being drawn from the party faithful. I see trade reforms occurring at a pace that few Canadian citizens—and probably few Canadian political leaders—would easily cope with.

It is perfectly true that we are watching a volatile process. Change on the scale—and at the pace—being experienced in China will involve mistakes and set-backs. But, as I talk to you about the China I am seeing as I travel the country on business and meet Chinese people, my overall impression is of a country moving strongly in the right direction.

This is perhaps where I tackle myth number two. Because for all of the bumps that lie in the road, for all of the worries about human rights and democracy, for all of the worries about copyright protection or corruption—in spite of all of these factors China is, more than anything else, an opportunity, not a threat.

China—and the Asia-Pacific—as opportunity, not threat

I have heard protectionist voices in the industrial West talk in almost millennial terms about the threat to the U.S. of being swamped by products from China and the wider Asia-Pacific region, ranging from textiles and garments to shoes, bicycles, leather goods, consumer electronics, and a wide range of chemicals and metals. What they are ignorant of is the vast and growing demand for these products—and many more besides—inside China's own market and those of the increasingly prosperous nations of East and South-East Asia.

For example, just look at China's 1993 trade figures: exports grew by eight per cent to U.S.$92 billion. But, imports grew by 30 per cent to U.S.$104 billion. In spite of governmental efforts to cool the economy, imports continue to grow by about 18 per cent each year, and the country is still running a trade deficit.

Just pause for a moment and ponder a fact so obvious that we tend to take it totally for granted. China's economy of 1.2 billion people has been growing at an average of about 10 per cent since it began to open its market in 1978. It is already, by world bank reckoning, perhaps the world's fourth-largest economy. It is forecast to grow by an average of nine per cent per year in the coming decade. Growth of a continental economy of this size, at this pace, is creating immense new demand. It constitutes not so much an export threat as an unprecedented opportunity.

China's dynamism has been a significant factor in stimulating unprecedented growth across the Asia-Pacific region, which has been sustained over the past decade at about three times the growth of the developed world. Already, the region accounts for a quarter of world trade. It is estimated that this will rise to 40 per cent by the year 2000.

There are over one million Chinese millionaires (in local currency terms). Not surprisingly, China is now Asia's second largest consumer market (after Japan), with retail sales growing by 26 per cent last year, to pass U.S.$215 billion.

Building China's economy: the international investor's role

Like the leaders of many other large developing countries, China's leaders have opted to harness international investment, technology, and market know-how to the maximum possible extent. Hong Kong alone can count more than 100,000 joint ventures across the mainland of

China—one third of these in the Pearl River delta area which is close to Hong Kong. They have played a massive role in modernising the economy and creating new and skilled jobs.

There is no better example of the diverse benefits of foreign investment than China. Over 1992 and 1993 alone, a total of 132,000 foreign ventures were approved. Actual foreign investment during those two years amounted to U.S.$37 billion. Foreign-linked companies already in operation employ over six million workers.

Looking to the future, China's investment needs are simply awesome. Only in the past couple of months, Beijing has revealed that it needs U.S.$12 billion to modernise its petrochemicals industry, and U.S.$13 billion to build 13,000 km of new railway line. One hundred million new telephone lines to be installed by the year 2000 are expected to cost U.S.$100 billion. To double the nation's power generation capacity by the year 2000 will cost between U.S.$65 billion and U.S.$200 billion. To build or upgrade 100 airports and to buy up to 1,200 aircraft will cost about U.S.$90 billion by the year 2010. Similar sums will be needed to build expressways, ports and mass transit systems.

Hong Kong's influence in Mainland China

The continuing development of the Chinese economy matters considerably to the whole international community, but to us in Hong Kong, it is increasingly the key to our future economic success.

And this takes us to the third myth. While it is not wrong to imagine Hong Kong as a passenger on the giant Chinese dragon, the economic reality is that Hong Kong has become a dragon to be reckoned with in its own right—one that can look beyond 1997 with considerable confidence.

We already play a vital role in China's economic modernisation:

- Chinese products, most of them originating in Guangdong province and Hong Kong's Pearl River delta hinterland, last year accounted for about 35 per cent of Hong Kong's total trade. China, in turn, channels an estimated 60 per cent of its total exports through Hong Kong, an activity that has transformed Hong Kong's Kwai Chung container terminal into the busiest container terminal in the world—handling about 900,000 containers a month.
- Hong Kong accounts for two-thirds of total external investment in China—about U.S.$186 billion. At the same time, Chinese companies are probably the largest foreign investors in Hong Kong. Staggeringly, Hong Kong accounts for 23 per cent of China's total GNP.

Mainland Chinese influence in Hong Kong

The number of mainland Chinese companies establishing headquarters, offices and trading companies in Hong Kong has surged in the past decade. Today, long-standing Chinese companies such as China Resources, China Merchant Steam Navigation and China Travel have been joined by new mainland giants such as Guangdong Enterprises, Guangzhou Investment, and Citic Pacific—which has become an important joint-venture partner to the Swire Group in sectors ranging from aviation to bottling.

So far, then, state-owned Chinese companies have listed on the Hong Kong stock exchange, which is in the process of becoming an important capital-raising base for privatising mainland corporations. The territory is China's principal capital market. Chinese investors now have a significant role in Hong Kong's local property market.

The emergence of China's market economy

Confidence in the future is not just underpinned by developments here in Hong Kong, but also by dramatic changes occurring on the mainland of China. Private and collective enterprises—which were next to insignificant in 1986—accounted for more than 50 per cent of the GDP last year. Trade-oriented provinces such as Guangdong accounted for more than 70 per cent. That is breathtaking as a measure of the pace of change occurring inside China.

These enterprises have not just been the spawning ground for China's growing community of entrepreneurs, but also of a fast-growing middle class. Since this class has generated the majority of growth and new jobs across the country, they have played a powerful role in moving China in the direction of an open economy. Many see set-backs in the liberalisation process—such as the recent re-imposition of some price controls—and throw up their hands in alarm. They need to realise that China still has a few proper macro-economic mechanisms in place that can effectively regulate the market—and in their absence, administrative measures are the only means available to regulate the economy.

And with such a massive and unprecedented economic experiment in progress across the country, it should not be surprising to see hiccups along the way. The fact is, we have in Beijing an economically pragmatic leadership that is feeling its way, learning by experience, and is acutely conscious of the need to maintain stability, avoid large-scale unemployment and prevent hyper-inflation.

Hong Kong is indispensable conduit for trade and investment in China.

For traders or potential investors from Europe or North America, the Chinese market can present a formidable challenge. The country's size, its still rudimentary transport infrastructure, its unfamiliar bureaucratic structures and business practices, the importance of family and friendship connections and introductions, the need for fluency in mandarin and often a number of regional dialects all point to the need for an intermediary to ease the frustrations and pre-empt the risk of expensive mistakes.

That is why Hong Kong is playing an invaluable role as a business partner as Western enterprises construct links into the mainland economy. Hong Kong is likely to continue in this role well into the 21st century. In Hong Kong, we have long-established contacts rooted in practical joint-venture experience inside China. We have immense on-the-ground knowledge, as well as familiarity with the language and culture of Mainland China.

That is, perhaps, why some 80 Canadian companies have branch and subsidiary companies in Hong Kong, with another 500 represented by distributors, agents or joint-venture partners.

Hong Kong's value is all the greater because of its strengths as one of the world's leading services economies. Services such as banking and insurance, trade finance and shipping, high-quality design, and legal services now account for 76 per cent of our gross domestic product. These are high value-added services provided by highly trained professionals. They are underpinned by Hong Kong's key roles as a communications and transport hub for Asia and as a springboard from which foreign companies can launch successfully into China.

Our competitive strength no longer lies in low-cost manufacturing, but in the expertise of our work force, the enterprise of our investors, the strong foundations of our legal system, and the integrity of our markets. Our economic success is based firmly on our ability to provide indispensable services to the world, the region and, above all, to the Chinese economy.

I hope that by now I have punctured the fourth myth: about Hong Kong living in fear and trembling over 1997. As I hope will by now be clear, 1978 is likely to be seen in the history books as a year of far greater importance than

1997. Of course, there will be upsets and accidents along the road we are travelling, but this has little to do with 1997. Rather, it is due to the awesome fact that both China and Hong Kong are travelling along routes never previously travelled.

Just as there are no road maps to guide Hong Kong's political and economic planners on the practical implementation of the "one country, two systems" guaranteed under the Sino-British joint declaration a decade ago, so there are no road maps for China's unprecedented emergence from state-planned to market economy. And anyway, the process is in keeping—except in sheer size—with the experience of Japan, Taiwan and Korea in the early stages of their economic development.

The Swire Group beyond 1997

This brings me to the final myth: that the Swire Group might be equivocal in its commitment to Hong Kong and China into the 21st century. This is a subject I will willingly discuss whenever I have the opportunity. Put simply, we are fully engaged in China and Hong Kong, and intend to remain so. Indeed, I think we would be corporately crazy to plan otherwise.

Why on earth would we forsake almost 130 years of experience in a region where we play so significant a role? Why on earth would we dilute our commitment to the most dynamic part of the world economy—a region forecast to stay that way for as far into the future as economic planners are willing to probe? Why should we equivocate over businesses that have been nurtured to maturity and strength over decades? When you examine the sectors in which we have the greatest involvement—aviation, property, and industry and trading—and think about the sluggish prospects these sectors face in other regions of the world, how can anyone seriously imagine we are poised to withdraw?

First, we are putting money where our mouth is: Cathay Pacific has equipment orders worth over U.S.$8 billion for delivery between 1995 and 1999; Swire properties has just acquired a land site in Hong Kong worth U.S.$370 million in a joint venture with Citic. Developing the site into a major retail and commercial complex is estimated to cost as much again. The Hong Kong Aircraft Engineering Company (Haeco), in which the Swire Group has a major shareholding, has signed a joint-venture agreement with the Chinese authorities in Xiamen to construct an aircraft maintenance facility at a cost of about U.S.$63 million. The group's aviation interests will be investing approximately U.S.$850 million in facilities associated with the new airport at Chek Lap Kok. Swire Pacific's industries division is rapidly expanding its Coca-Cola soft drink bottling operation in both China and Taiwan. All of these investments involve taking a long-term view: none will yield a return to the Swire Group until long after July 1, 1997, when sovereignty in Hong Kong reverts to China.

Second, the Swire Group is developing close commercial and joint-venture relationships with a number of Mainland Chinese partners. Apart from Citic, which has a 12.5 per cent stake in Cathay Pacific, 46 per cent in Dragonair, 15 per cent in the Coca-Cola bottling company in China, and 50 per cent in the recent Hong Kong land acquisition that I just mentioned, our Chinese partners include the China National Aviation Corporation, China Travel, China Merchants Holdings and a number of local and regional mainland companies.

Much of the speculation over prospects for Hong Kong's new airport at Chek Lap Kok has been quashed in recent weeks, following agreement between Britain and China over funding. This is obviously as important to Cathay Pacific's future as it is to the future of Hong Kong. With the two runways at Chek Lap Kok and the consequent capacity increase from 28 million passengers a year to 80 million early in the next century, it will be possible to schedule faster and more efficient connections on long-haul flights into and out of the region, and onto flights throughout Asia and Mainland China.

Indeed, we don't even have to wait for Chek Lap Kok to achieve many of these improvements. I note with some pleasure the first long-haul non-stop Cathay flight into Toronto just over a week ago which used one of our new 747-400 aircraft.

There are other airports being built or planned in the region, which are trying to promote themselves as the ideal gateway to Asia. But none has Hong Kong's advantage of being on China's doorstep and at the very heart of Asia.

All in all, the Swire Group and Cathay Pacific have every reason to be optimistic for the future. There is arguably no more exciting place in the world to be—and the Swire Group and I would not change places with anyone.

The appreciation of the meeting was expressed by Daniel Hung, President, The Hong Kong-Canada Business Association (Toronto Section).

Head Table: Peter Sutch.

EMPIRE C
ROGERS

Peter Sutch.

Patrick and Corrinne Boyer and Jean Charest.

Vanessa Campion and Adeline MacNaughton.

Annual General Meeting

President's Report

April 27, 1995

Chairman
John A. Campion, President

John A. Campion

Honoured guests, distinguished Past Presidents, members and friends of The Empire Club of Canada. Notice has been given that our annual meeting is to be held on this date and I have asked the Club Secretary, Willis Blair to act as Secretary for the meeting.

In accordance with Article VI, Sub–section 2, of The Empire Club's constitution, I am pleased to report on the year's activities.

During the year, 14,000 people and 700 head table guests attended luncheons which heard 46 speakers. The speeches were televised live and shown throughout Canada. The speakers included: the Presidents of Ireland and Ukraine, the Federal Chancellor of Austria, the Prime Minister of Thailand, the Lord Mayor of London, Chief Justice of Canada, Premiers of Ontario (Bob Rae), Nova Scotia (John Savage) and Manitoba (Gary Filmon), Chief Secretary of Hong Kong, federal Cabinet Ministers of Finance (Paul Martin), Justice (Allan Rock), Defence (David Collenette), Trade (Roy McLaren), Intergovernmental Affairs (Marcel Masse), Immigration (Sergio Marchi), Leaders of the Opposition (Lyn McLeod for Ontario and Daniel Johnson of Quebec), business leaders (Garth Drabinsky, Peter Sutch, Red Wilson, Percy Barnevik, Eric Newell and Barbara Smith, Chairman of LLoyds of London), Superintendent of Financial Institutions, authors and artists (John Fraser, Stevie Cameron, Gordon Gibson and Charlie Pachter), Ambassador of France, politicians (Jean Charest and Mike Harris), Bishop Victoria Matthews, freedom fighter (Albie Sachs), Provincial Minister of Finance (Floyd Laughren) Nobel Prize Laureate (Dr. Bertram Brockhouse), Toronto mayoralty candidates, investment advisors, a Toronto child psychiatrist, Dean, Osgoode Hall Law School, former U.S. Vice-President, Chairman, Canadian Council on Unity, Lieutenant Governor of Ontario and Emissary, Terry Waite.

Membership

Total membership for the year 1994–1995 is 1,926 compared to 1,731 members in 1993–1994. Categories of membership are as follows:

	1994–1995	1993–1994
Honorary Life Members	5	5
Life Members	161	169
Spousal	392	408
Regular	1,107	927
Student	23	19
Senior	238	203

Attendance

A total of 46 meetings for the year 1994–1995 attracted 14,036 attendees representing a statistical average of 305 attendees per meeting compared to 36 meetings in 1993–1994 with 11,299 attendees representing a statistical average of 314 attendees per meeting.

Finance

Membership fees for regular membership, $50; spousal, $60,00; senior, $37.50; student, $30.00; or senior spousal, $50,00 and varying amounts depending on age for life membership. Luncheon prices for members approximate the hotel charge for luncheons. An additional charge of $5 is levied on non-member luncheons. The financial statements for the year ending April 30, 1995 will be presented to the Board of Directors. The audited financial statements will be published in the 1994–1995 yearbook.

Respectfully submitted,

John A. Campion
President

Frederic L. R. Jackman, Ph.D.

Mr. President, distinguished guests, members of The Empire Club of Canada. It is my pleasure, as Chairman of the Nominating Committee, to report on the work of the Committee which was constituted in accordance with Article III of the Club's Constitution.

Nominating Committee

The following persons served on the Committee:

From the Board of Directors:
- Eric Jackman—Chair
- Diana Chant
- David Edmison
- Julie Hannaford
- Gareth Seltzer

From the membership at large:
- Willis Blair
- Tim Bowman
- Catherine Charlton
- Ann Curran

Honorary Officers

The Nominating Committee is pleased to report that the Honorary Officers nominated for the 1995-96 season are as follows:

Honorary President
    The Rt. Honourable Romeo LeBlanc
    P.C., C.C., C.M.M., C.D.
    Governor General of Canada

Honorary Vice-President
    The Honourable Henry N. R. Jackman
    C.M., K.St.J., B.A., LL.B.,LL.D.
    Lieutenant Governor of Ontario

Honorary Chaplain
The Rev. Canon Harold F. Roberts
C.D., B.A., M.Div., AdeC.

Honorary Secretary
Alan Tonks

Honorary Treasurer
Hartland M. MacDougall, C.V.O., O.C.

Honorary Solicitor
J. A. William Whiteacre, M.M., C.D., Q.C.

Archivist and Historian
Gordon G. Steele, M.Comm.

Honorary Directors

It is the recommendation of the Committee that the following continue as Honorary Directors: Setrak Adourian, Leland H. Ausman, The Hon. Barnett J. Danson, P.C., A. Carlyle Dunbar, Katie Hermant, Montague Larkin, Dr. James A. Parish, Leslie C. Parkinson, Angus Scott, Margaret Scrivener and William G. Whittaker.

Directors

According to the Club's Constitution "the Board of Directors shall consist of forty members ... including at least four Past Presidents of The Empire Club, one of whom shall be the immediate Past President and three others shall be the three Past Presidents immediately preceding the immediate Past President..."

Therefore, in recognition of this constitutional requirement, the Committee nominates the following Past Presidents as Directors of the Club:

the immediate Past President, John A. Campion

and also Frederic L. R. Jackman, Robert Brooks and Harold Roberts.

Furthermore, the Nominating Committee recommends that the following members of the Board of Directors continue to serve in the coming year:

W. Alfred Apps
Edward P. Badovinac
S. W. (Sam) Billich
Mary R. Byers
LCol. A. G. (Sandy) Cameron, S.B.St.J., C.D., AdeC.
Denise Cole
Tom Davies
Rob Davis
Robert J. Dechert
Maj. William A. Duncan, C.D.
Jan Dymond
Blake C. Goldring
Duncan N. R. Jackman
Bill Laidlaw
Anne Libby
Marcia McClung
Bart J. Mindszenthy, APR.
Charles A. Pielsticker
Maria Roman-Bricknell
Paul B. Scargall
Gareth S. Seltzer
C. Alexander Squires
Larry Stout
L. Douglas Todgham
Thomas L. Wells

Resignations

I would like to take this opportunity to pay tribute to Robert Baugniet, Maureen Cappon-Javey, Hershell Ezrin and Bruce Sinclair who have chosen to step down for personal and professional reasons. All have been of great service to the Club and we are grateful to them.

New Directors

Your Nominating Committee is pleased to nominate the following new members for the Board of Directors:

Douglas Bassett
Councillor Gordon Chong
Ann Curran
Margaret Samuel

Officers

In addition to the above-mentioned nominees, the Committee recommends the election of the following three people who will be proposed to the Board of Directors for appointment to the positions of Vice-President and Director:

1st Vice-President and Director
Julie K. Hannaford

2nd Vice-President and Director
John H. Tory

3rd Vice-President and Director
Mary Lou Benotto

The Nominating Committee is pleased to report that Willis L. Blair will continue as Secretary and that Diana L. Chant, C.A., has agreed to continue as the Club's Treasurer. Both Willis Blair and Diana Chant will also serve as Directors of the Club.

Finally, your Committee is pleased to nominate as President and Director of The Empire Club of Canada for its 1995–96 season, David A. Edmison.

Respectively submitted,

Frederic L. R. Jackman, Ph.D.
Chairman

Tony van Straubenzee moved acceptance, seconded by Blake Goldring. There being no further nominations, Gordon Steele moved that nominations be closed. Carlyle Dunbar seconded the motion.

The President then asked the Secretary, Willis Blair, to cast a single ballot in favour of those persons named in the report of the Nominating Committee, in accordance with Article III-3 of the Constitution of the Club. The President declared the members properly elected as Directors of The Empire Club of Canada for 1995–96, the Club's 92nd year. The meeting was adjourned.

The Empire Club of Canada

MEMBERSHIP 1994–1995

Life Members

N. John Adams
J. D. Alexander
John P. Alexander
William N. Allan
Graham H. Ambrose
B.Gen. & Mrs. S. F. Andrunyk
Mr. & Mrs. Leland H. Ausman
Ruby P. Avison

Mr. & Mrs. Edward Badovinac
John Bassett
Joseph Batty, OBE
Mr. & Mrs. Ian S. Baxter
D. S. Beatty
M. E. Louise Beck
Dr. R. C. Bennett
Bruce Birrell
Willis L. Blair
R. L. Broad
F. B. Brooks-Hill
Arthur E. Brown

Mrs. Charles Carter
Sir Arthur R. T. & Lady Chetwynd
James L. Clare, F.S.A., F.C.I.A.
Mr. & Mrs. John Cook
Benedict G. R. Cotterill
Mr. & Mrs. Elgin E. Coutts
John A. D. Craig
Dr. H. V. Cranfield
Nola Susan Crewe
Dorothy Crummey
Mrs. Matthew Currie

George C. Damiani
Douglas A. C. Davis
Elvio Del Zotto
Mr. & Mrs. D. L. Derry
Robert G. Douglas
A. A. Duncanson
E. B. Dungey
Mr. & Mrs E. A. Duvernet

Joseph L. Etherington

Dr. David J. Fieldhouse
A. E. Fitzpatrick
Federico Friedberg
Col. C. S. Frost, Jr., Q.C., C.D.

Lillian G. Gandier
George Raymond Gibson
J. Rennie Graham
John W. Graham, Q.C.
Kenneth G. Graham
Patricia A. Grand
Wayne Scarisbrick Gray
Ian Griffin
John W. Griffin

George S. Hanson
Nona Macdonald Heaslip
Paul T. Hellyer
Roland E. Henderson, Q.C.
Mr. & Mrs. John T. Hepburn
Adam B. T. Hermant
Peter Hermant
John D. Herrick
Col. R. H. Hilborn
William S. Hill
Dorothy Hobbs
Mr. & Mrs. Herbert R. Hobbes
Dennis Holota
Mrs. E. Howell

A. E. M. Inwood
John F. Irwin

Henry N. R. Jackman
Friederich W. Jung

Elfreda W. Karn
John Kemp
F. Marion Kiddell

James G. Laidlaw
A. T. Lambert
John V. Lawer, Q.C.

Col. Wm. R. Learmonth
Kenneth Legge
M.Gen. Bruce J. Legge
Eric N. Lehner
Friedrich Lehner
James D. Lewis
R. G. Loftus
Mr. & Mrs. D. D. Lucas
Joseph F. Luciano

E. Nelson MacNab
John & Gail MacNaughton
C. John Martin
Beverley Matthews, Q.C.
Ewald P. Mazurek
Fred G. McBrien
John S. G. McCrimmon
James W. McCutcheon, Q.C.
F. Y. McCutcheon
Konrad R. W. Mech
John D. Memory
Dr. Herbert Michel
Mr. & Mrs. Edwin Mirvish
John S. Moses
D. V. Mosher
Clifford N. Moss

John F. Nagel
James G. A. Naish
Bernard T. Ness

Major & Mrs. R. B. Oglesby
Stanislaw T. Orlowski

Dr. James A. Parish
John A. Patton
Norman Pearson, F.R.T.P.I.
B. E. Plain
Dr. Sheila Pollock
D. A. Pryer

Grant L. Reuber
John E. Richardson
Rev. Canon & Mrs. H.F. Roberts
Helen E. Roman Barber
Professor Henry U. Ross
Col. The Hon. R. C. Rutherford

Leo E. Schacter, Q.C.
G. M. Sellar
J. A. Seyfried
Mrs. H. R. Shaver
Samuel V. Shefsky
Dr. & Mrs. W. K. Shultis

James R. Smeed
Albert Smith, Q.C.
Mrs. Donald T. (Audrey) Smith
Sam Sniderman, C.M.
Dr. & Mrs. R. F. Stackhouse
G. O. Stafford
Henry J. Stalder
Mr. and Mrs. G. G. Steele
Dr. Peter Stingelin
Mrs. Edgar J. Stone

Graham John Tappin
Mrs. Barton F. Teasdale
K. R. Thomson
Leonard I. Turkevics
R. Turnbull
Capt. T. C. Turner, C.D., R.C.N.R.
L.Col. P. J. Tuz, C.M., C.D.

Michael Van Denbossche

Gordon Waldie, Q.C.
Kenneth M. Watson
F. Bartlett Watt
Hebert L. Webb
Douglas S. Wells, O.M.C.

Andrew Stephen Zarnett

Senior Members

H. H. Alexander
Nizamud-Din Alibhai
Mona Allworth
Rev. Harry Amey
R. F. K. Anthony
Bluma Appel
Wm. L. Archer, Q.C.
G. Warren Armstrong

Mrs. M. C. S. Baptista
John R. Baragar
Sonja Bata
K. J. Beamish
R. I. Beatty
BGen. G. G. Bell, C.D., O.C., M.B.E.
Beatrice Bennett
Walter Bilbrough
Peter J. M. Bloemen
Bishop Isadore Borecky
Jessie K. Borthwick
William B. Bot
K. Breuer
Valerie J. Bricknell

D. H. Brown
Roel C. Buck
Alexander Budrevics
E. G. Burnside
LCol. G. A. Burton
Theda A. Burton
Catherine E. Butters

Ina C. Cahill
Dorothea Carter
Hugh M. Carter
William B. Cavan
Dixon S. Chant
E. J. Chard
Lane R. Chester
Mattie Clark
James H. Clarke
A. H. M. Claus Van Banning
Major F. N. Clifford
Tom Clifford
J. M. Coker
J. C. P. Conrad
His Honour Judge F. J. Cornish
W. D. Cowan
John Cozens
R. W. Crawford
Ronald J. Crichton
Stanley Crow
Noel Croxon
William W. Cruise
Taimi Cushing

R. G. Dale, D.S.O., D.F.C., C.D.
Pauline Dale
Dr. Naim Dallal
The Hon. Barnett J. Danson
Ronald S. Davies
Glen J. Day
Lloyd E. Dingle
R. V. Doty
L. R. Douglas
Shaun Patrick Duffy
Charles S. DuToit, C.A.

Stuart E. Eagles
Brian A. Edgar
John J. Elder

Peter B. G. Ferguson
Win Finlayson
Rhoda Finneron
Richard H. Fisher
Robert J. Fleming

L. G. B. Flint
Dr. John Flowers
C. Dennis Flynn

Juergen Geber
T. John Gillelan
Betty Gilpin
W. L. Goldson
Tadeusz Gonsik
John E. Goodwin
James J. Graham
Wm. John Greening
T. P. Gregor
H. Donald Guthrie, Q.C.
Karl Gyaki

Norman S. Hall
C. L. Haney
Alfred H. L. Harris
Irene Hart
Ruth Hart
Keith C. Hendrick
Dorothy Herman
Harry D. L. Hill
Thomas Hollinshead
Cedolph Hope
Ying Hope
Jean Horsey
Robert G. Hortop, C.A.
Yvonne A. Hunter
Barbara Macbeth Hurst

Aldo Ippolito
A. B. Irwin

Aileen Jackson
Bernice Jackson
E. B. Jolliffe, Q.C.
Douglas A. Joyce

Terence Kavanagh
Clayton Keefe
James W. Kerr
Norman J. Keyes
Dr. George Kibedi
T. A. King, Q.C.
Marie Knaul
LCol. Gerhard A. W. Knopf
Coral Ko
Sonja N. Koerner
Fr. George Koren
Virginia Koury

H. Peter Langer

Margaret Lant
Andres Lawson, Q.C.
D. G. Lawson
John B. Lawson
Laura Legge, Q.C.
Jean M. Lewis
Trevor B. Lewis
Dr. W. R. N. Lindsay
E. C. Lipsit
Wilfried Lorenz
John M. Lowndes, Q.C.

H. Ian Macdonald
Bianca MacDougall
Robert K. Mackenzie
Dr. George A. Malcolm, D.C.
Marian Maloney
June Marks
Shirley Marsden
Joyce Marshall
Victor Martinaitis
Anthony V. Mason
G. Chester McClure
W. H. McCormack
Willis S. McLeese
Marjorie McLetchie
Colin J. McMechan
Eileen R. McNeil
Helen McNeil
John C. Medcof
John P. Meister
J. Alexander Menzies, Q.C.
Russell Merifield
George E. Mills
David J. Mitchell, D.D.S.
Rabbi Dr. David Monson
Joycer Morfitt
G. A. Morizet-McDonald
James Leslie Morrow
Robert Morrow

Douglas C. Nesbitt
Edward A. Nixon
Anne Nosov

Alfred U. Oakie
LCol. Edmunds Ozols

W. W. Pegg
Bert Petlock
Capt. E. M. Peto
E. T. Pherrill
Leslie Phillips

E. B. Pinnington
Rev. Charles R. Plaskett
Robert G. Platt
John H. Pollock, Q.C.
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Auditors' Report

To the Members of
The Empire Club of Canada

We have audited the balance sheet of The Empire Club of Canada as at April 30, 1995 and the statements of revenue and expenditure and surplus for the year then ended. These financial statements are the responsibility of the Club's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Club as at April 30, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Ontario Corporations Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG Peat Marwick Thorne
Chartered Accountants

Toronto, Canada
July 7, 1995

Financial Report

THE EMPIRE CLUB OF CANADA
Balance Sheet as at April 30, 1995

Assets	1995	1994
Current Assets		
Cash and short-term deposit receipts	$241,319	$ 208,749
Accounts receivable	11,718	2,945
Inventory	2,101	2,213
	255,138	213,907
Fixed Assets	1	1
	$255,139	$213,908
Liabilities		
Current Liabilities		
Accounts payable	$ 56,498	$ 34,857
Due to The Empire Club Foundation	61,493	56,493
Provision for prepaid membership fees and unredeemed luncheon tickets	9,992	4,992
	127,983	96,342
Members' Equity		
Surplus	107,579	96,789
Life Membership Reserve (Note 2)	19,577	20,777
	127,156	117,566
	$255,139	$213,908

Signed on behalf of the Board

Frederic L. R. Jackman
Director

Diana L. Chant
Director

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB OF CANADA
Statement of Members' Equity
for the Year Ended April 30, 1995

	1995	1994
Surplus, Beginning of Year	$ 96,789	$ 92,364
Transfer from life membership reserve (Note 2)	1,200	400
Excess of revenue over expenditure for the year	9,590	4,025
Surplus, End of Year	$ 107,579	$ 96,789
Life membership reserve, beginning of year	$ 20,777	$ 21,177
Transfer to surplus	(1,200)	(400)
Life membership, end of year	$ 19,577	$ 20,777

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB OF CANADA
Statement of Revenue and Expenditure for the Year Ended April 30, 1995

	1995	1994
Revenue		
Membership fees	$ 47,727	$ 43,709
Luncheons (Note 4)		
Regular, net	22,527	38,652
Special	22,920	—
Head table sponsorship	4,378	—
Other sponsorships	19,645	34,136
Interest	8,403	8,004
	125,600	124,501
Expenditure		
Meetings	350	665
Members' notices	24,143	23,063
Office and general	5,139	14,560
Office salaries and employee benefits	38,437	40,115
Printing, stationery and postage	9,010	9,046
Publicity and promotion	3,666	2,652
Rent	10,497	11,148
Telephone	3,759	2,166
Yearbook donation and sundry expenses	21,009	17,061
	116,010	120,476
Excess of Revenue over Expenditure for the Year	$ 9,590	$ 4,025

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB OF CANADA
Notes to Financial Statements
for the Year Ended April 30, 1995

General

The Club was incorporated under Letters Patent in the Province of Ontario on March 26, 1912. The principal function of the Club is to provide a forum for prominent people to address members of the Club and their guests on topics of current interest.

1. *Summary of Significant Accounting Policies*

(a) Revenue Recognition
Revenues are recorded on the accrual basis of accounting.

(b) Inventory
Inventory is valued at the lower of cost and net realizable value.

(c) Fixed Assets
Fixed assets, consisting of office furniture and equipment, are recorded at nominal value and additions are recognized as an office and general expenditure in the year acquired. There were no significant additions in the fiscal year ended April 30, 1995.

(d) Due to The Empire Club Foundation
A donation to The Empire Club Foundation for the estimated cost of supplying the Club's membership with the yearbook of the current year is accrued each year.

(e) Deferred Revenue
Deferred revenue consists of membership fees paid in advance and unredeemed luncheon tickets.

(f) Statement of Changes in Financial Position
A statement of changes in financial position has not been included as it would not provide any additional meaningful information.

2. *Life Membership Reserve*

Term deposits are segregated as funding for this reserve in order to provide a continuing income stream to sustain the membership costs of life members.

As a result of a decrease in the life membership roll, $1,200 (1994—$400) was transferred from the life membership reserve to surplus during the year.

3. *Commitment*

In February 1993, the Club entered into a lease agreement for premises expiring October 1, 1995. Minimum annual rental payments under this lease agreement for the year ending April 30, 1996 amount to $3,500.

4. *Comparative Figures*

Comparative figures for luncheons are not readily available.

The Empire Club Foundation

September 1996

Ladies and Gentlemen,

The 1994–95 Empire Club year, under the leadership of John Campion, was another successful one, contributing strongly to the Club's tradition of a high standard of addresses on subjects of great interest, that has continued since 1903. One significant aspect of the Campion year was the initiative shown presenting the "Law and Society" series of addresses.

The financial statements that follow this report portray the very difficult financial position of the Foundation at April 30, 1995 in spite of the success of the Campion year. I am pleased to report that we have had a favourable response to the fundraising campaign launched last April. This response has brought the Foundation back to a stable financial position, enabling the continued publication of this yearbook and its distribution free of charge to public and educational libraries across Canada.

I would like to thank those members and friends of the Empire Club of Canada who have made this possible. I also thank the Directors and Officers of the Foundation for their support and advice.

Yours sincerely,
Douglas L. Derry, FCA
Chairman

Officers

Honorary Chairman: John W. Griffin
Chairman: Douglas L. Derry, FCA
Honorary Secretary William G. Whittaker, QC
Honorary Solicitor: J. A. William Whiteacre, MM, CD, QC
Honorary Treasurer: Ronald Goodall, FCA
Past Chairmen: Bruce J. Legge, CMM, CM, KStJ, ED, CD, QC
Robert H. Hilborn, LVO, MBE, CD
John A. MacNaughton
Reginald W. Lewis, CMM, CM, OStJ, CD

Directors

Warren Armstrong
Sarah A. Band, CStJ
John F. Bankes
Douglas G. Bassett, OC, KStJ, O Ont., LLD, LITT
Paul D. J. Clark
David Edmison
C. Warren Goldring
Frederick L. R. Jackman, PhD
Hartland M. MacDougall, CVO, OC
David G. C. Menzel, QC
Harry T. Seymour

Registration Number 0353532-21-13

The Empire Club Foundation

CONTRIBUTORS: 1994–1995

PATRONS ($1,000.00 or more)*

AGF Management Limited
Bickell, J. P. Foundation
Campion, John A.
CIBC
Derry, Douglas L.
Eaton Foundation
Edmison, David A.
Empire Club of Canada
Glaxo Wellcome Inc.
Goldring, C. Warren
Griffin, John W. F.
Jackman Foundation, 1964
Jackman Foundation, Henry N. R.
MacNaughton, John A.
Scotiabank

DONORS ($100.00 to $299.00)

Badovinac, Edward and Jocelyn
Burton, Theda
Crichton, Ronald
Dunbar, Carlyle
Flowers, John
Grosart, John
Lorenz, Wilfred
Oatway, C. Richard
Squires, Alex

* *Donations made subsequent to April 30, 1995, enabling the publication of this yearbook.*

Auditors' Report

To the Members of
The Empire Club Foundation

We have audited the balance sheet of The Empire Club Foundation as at April 30, 1995 and the statement of revenue and expenses and members' deficiency for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives income from donations from supporters, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of this income was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donation income, excess of expenses over revenue, assets and members' deficiency.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at April 30, 1995 and the results of its operations for the year then ended in accordance with generally accepted accounting principles. As required by the Canada Corporations Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG Peat Marwick Thorne
Chartered Accountants

Toronto, Canada
September 16,1996

Financial Report

THE EMPIRE CLUB FOUNDATION
Balance Sheet as at April 30, 1995

Assets	1995	1994
Current Assets		
Cash	$ 8,250	$ 22,520
Accounts and interest receivable	19	1,375
Due from The Empire Club of Canada	61,493	56,493
	$ 69,762	$ 80,388

Liabilities and Members' Deficiency		
Current Liabilities		
Accounts payable and accrued liabilities	$ 92,000	$ 82,923
Members' Deficiency	(22,238)	(2,535)
	$ 69,762	$ 80,388

Signed on behalf of the Board

Douglas Derry
Director

Ronald Goodall
Director

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB FOUNDATION
Statement of Revenue and Expenses and Members' Deficiency for the Year Ended April 30, 1995

	1995	1994
Revenue		
Donations:		
The Empire Club of Canada	$ 20,000	$ 16,500
Supporters	6,486	25,247
Interest	198	1,263
	$ 26,684	$ 43,010
Expenses		
Yearbook	46,264	39,859
Stationery, postage and other expenses	123	1,630
	$ 46,387	41,489
Excess of Revenue Over Expenses (Expenses over Revenue) for the Year	(19,703)	1,521
Members' Equity (Deficiency) - Beginning of Year	(2,535)	(4,056)
Members' Deficiency - End of Year	$ (22,238)	$ (2,535)

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB FOUNDATION
Notes to Financial Statements for the Year Ended April 30, 1995

1. *The Foundation*

   The Foundation was incorporated on January 22, 1969 under the laws of Canada as a non-profit organization. The principal function of the Foundation is the publication and distribution of yearbooks, containing the texts of addresses to The Empire Club of Canada, to the Club's members and libraries across Canada. The Foundation's activities are funded by donations.

2. *Significant Accounting Policy*

   The Foundation includes donations in revenue when received except for donations from The Empire Club of Canada which are included in revenue when pledged. The estimated cost of publishing and distributing yearbooks of the current year is accrued each year.

3. *Future Operations*

   These financial statements have been prepared on the going concern basis, which assumes continuing support by The Empire Club of Canada and the Foundation's ability to generate future donations to complete production of the yearbooks.

   Subsequent to April 30, 1996, the Foundation has received donations sufficient to eliminate the April 30, 1995 deficit and enable continued production of the yearbook.

CONSTITUTION

As amended April 26, 1973

Organization of the Club

ARTICLE I

Name

1. The Name of the club shall be The Empire Club of Canada.

Purpose and Object

2. The purpose and object of the club is to promote the interests of Canada and the British Commonwealth by the consideration and discussion of subjects and events relating thereto and by any other means appropriate to the facilities of the club.

Membership

ARTICLE II

Classes of Members

1. The membership of the club shall consist of:
   - (a) Honorary members
   - (b) Life members
   - (c) Regular members
   - (d) Corporate members

   All members of classes (a), (b), (c), must be the full age of eighteen years.

Honorary Members

2. Honorary members may be elected by the unanimous vote of those present at a meeting of the board of directors. They shall be exempt from the payment of fees but shall not have the privilege of voting or holding office and their membership shall be terminated at any time by a two-thirds majority of those present at a meeting of the board of directors.

Life Members

3. Members of the club in good standing (other than corporate members) and other persons regularly proposed may be elected life members by a two-thirds

majority of those present at a meeting of the board of directors. Life members shall pay such a fee in one sum as may be fixed from time to time by the board of directors.

Regular Members

4. Save as provided in Section 5 of this Article candidates for regular membership shall be proposed by a member in good standing and shall be elected by a two-thirds majority of those present at a meeting of the board of directors.

Save as provided in Section 5 of this Article regular members shall pay respectively such annual fees as may be fixed from time to time by the board of directors.[1] Members elected after the first day of March in any year shall pay one annual fee only in respect of the period from the date of election until the thirtieth day of September in the following year. No member in arrears for fees after January 1 shall be considered in good standing.

Corporate Members

5. Any company, partnership or business organization shall be eligible for election as a corporate member. Applicants shall be proposed by a member in good standing and the application shall contain the names and positions of the persons nominated by the applicant as its representative regular members. The applicant and its nominated representatives shall be elected by a two-thirds majority of those present at a meeting of the board of directors. A corporate member shall be entitled to nominate such number of its representative regular members as may be fixed from time to time by the board of directors and shall pay such annual fee as may be fixed from time to time by the board of directors, provided that such fee shall not be

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[1] *By resolution of the Board, November, 1981, and under Article II, 4, of the Constitution, it was agreed that the club charge a lesser membership fee for spouses living at the same residence, and that this fee should be fixed annually.*

less than the aggregate fees which would have been payable on an individual basis by such representative members for the year in question. Save as in this section provided no fee shall be payable by or in respect of the representative regular members of a corporate member.

Directors
ARTICLE III

Duties and Powers

1. The affairs of the club shall be managed by a board of directors who may exercise all such powers and do all such acts and things as may be exercised or done by the club and are not by the by-laws or by law directed or required to be done by the club at a general meeting of its members. At all meetings of the board of directors the chairman of the meeting shall have a casting vote.

Number and Quorum

2. The board of directors shall consist of forty members of whom sixteen shall constitute a quorum. The board of directors shall include at least four past presidents of the club, one of whom shall be the immediate past president and three others shall be the three past presidents immediately preceding the immediate past president if they are willing and able to act as directors.

Election of Directors

3. A nominating committee consisting of five members of the board of directors and four other regular members of the club shall be appointed annually by the board of directors at least thirty days prior to the annual meeting and shall prepare a list of nominations for directors for the ensuing year. The chairman or acting chairman of the nominating committee shall report the nominations of that committee to the annual meeting at which the board of directors shall be elected, but nothing herein shall preclude the nomination of other persons for the office of directors at the annual meeting. If nominations do not exceed the number of directors necessary, the chairman of the

meeting may instruct the Secretary-Treasurer to cast one ballot in favour of those so nominated and thereupon such persons shall be declared by the chairman to have been duly elected. No person shall be elected a director unless he is a regular member in good standing and is a Canadian citizen or a British subject.

Meetings of Directors

4. Meetings of the board of directors shall be called by the President, or on a requisition signed by three of its members. Written notice of such meetings shall be given to each director five days or more before the meeting is to take place, provided that a meeting may be held at any time if all the directors are present or if those absent have waived notice of or otherwise signified their consent to such meeting being held in their absence or have approved or signified their approval in writing to the proceedings taken at the meeting. The board may appoint a day or days in any month or months for regular meetings, at an hour or place to be named, and of such regular meetings, no notice need be given.

Casual Vacancies

5. In the event of any vacancy occurring in the office of director, the remaining directors may fill the vacancy from among the members for the unexpired portion of the term of office of the person whose office is vacant.

Officers

ARTICLE IV

1. The officers shall consist of an Honorary President, an Honorary Vice-President, a President, First, Second and Third Vice-Presidents, an Honorary Treasurer, an Honorary Secretary, a Secretary and a Treasurer. The board of directors may from time to time elect or appoint such other officers as it shall deem necessary. The President and the Vice-Presidents shall be directors of the club but other officers need not be directors. No person other than the Honorary President and the Honorary Vice

President shall be eligible for office unless he is a member in good standing. The President shall, when present, preside at all meetings of the members and of the board of directors. During the absence or inability to act of the President, the Vice-Presidents in order of seniority shall act as chairman at such meetings and otherwise perform and exercise the duties and powers of the President.

Appointment of Officers

2. The board of directors shall meet as soon as convenient after their election for the purpose of appointing the officers of the club for the period ending April 30 in the next year but each officer shall continue in office until his successor is elected.

Casual Vacancies

3. In the event of a vacancy occurring in any office the board of directors may fill the vacancy for the unexpired portion of the term.

Honorary Auditor

4. An Honorary Auditor shall be appointed at each annual meeting. An audited statement of the finances of the club for the fiscal year shall be published annually and a copy shall be sent to each member.

Committees

ARTICLE V

1. The following standing committees and the chairman of each shall be appointed by the board of directors as soon as convenient after the election of the board:
   (a) Budget and Finance Committee
   (b) Speaker's Committee
   (c) Membership Committee
   (d) Constitution Committee
   (e) Reception Committee
   (f) Publicity and Public Relations Committee
   (g) Yearbook Committee
   (h) Head Table Committee

   provided that for any year the board of directors may by resolution elect not to appoint any one or more of such committees.

2. The President or the board of directors may from time to time appoint such other committees as may be deemed expedient.

Meetings of Members
ARTICLE VI

General Meetings

1. The club shall hold general meetings weekly, if possible, from October to April, both inclusive, in each twelve months with such intermissions as may from time to time be determined by the board of directors. Special meetings of the club may be called at any time by the President.

Annual Meeting

2. The annual meeting shall be held not later than April 30 in each year. At the annual meeting a report of the year's proceedings and work shall be submitted by the President and this report shall be accompanied by an interim report from the Secretary-Treasurer.

Notice of Meetings

3. Written notice of all meetings shall be given all members of the club before the date on which the meeting is to be held. Such notice shall be sufficient if addressed to the members, and deposited post paid in the post office in Toronto. The accidental failure or omission to give notice to any member shall not invalidate the proceedings at any meeting.

Quorum at Meetings

4. Sixteen members in good standing shall constitute a quorum at any meeting of the club, general, annual or special, and the chairman of the meeting shall have a casting vote.

Limitation of Business at General Meetings

5. No business other than the hearing of the addresses shall be introduced at any meeting of the club by any person

other than the chairman of the meeting, unless it has been submitted to the board of directors and received its approval.

Fiscal Year

ARTICLE VII

The fiscal year of the club shall end on such day in each year as may be fixed by the board of directors but unless so fixed by the board shall end on April 30.

Amendments

ARTICLE VIII

Subject to the provisions of The Corporation Act this constitution may be amended by the board of directors, but unless in the meantime confirmed by a majority of the members present in person at a meeting of the members duly called for that purpose, any amendment is effective only until the next annual meeting of members unless so confirmed thereat and, in default of such confirmation thereat ceases to have effect at and from that time, and in that case no new amendment of the same or like substance has any effect until confirmed at a meeting of the members.

Amendment to By-Law A

The President stated that the Directors at their last meeting had amended the General By-Law of the Club so that the first Vice-President could be designated in the future as first Vice-President and President-Elect. This change was required to be confirmed by the members and accordingly

ON MOTION DULY MADE, SECONDED, AND UNANIMOUSLY CARRIED, it was resolved that the following amendment to Paragraph 1 of Article IV of By-Law No. A be confirmed:

Officers

The officers shall consist of an Honorary President, an Honorary Vice-President, a President, a first Vice-President and President-Elect, Second and Third Vice-Presidents, an Honorary Treasurer, an Honorary Secretary and a Secretary-Treasurer. The Board of Directors may from time to time elect or appoint such other officers as it shall deem necessary. The President, the First Vice-President and President-Elect, the Second Vice-President and the Third Vice-President shall be directors of the Club but other officers need not be directors. No person other than the Honorary President and the Honorary Vice-President shall be eligible for office unless he is a member in good standing.